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# **Daily Report**

# **China**

**FBIS-CHI-89-041**  
**Friday**  
**3 March 1989**

# Daily Report

## China

FBIS-CHI-89-041

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3 March 1989

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## General

### Article Views European Disarmament Talks

HK0303103289 Beijing RENMIN RIBAO in Chinese  
3 Mar 89 p 3

[“International Outlook” column by Fang Rongxuan (2455 2837 5503): “The New Situation Regarding European Disarmament Talks”]

[Text] The European talks on conventional disarmament will resume in the near future. People now wait to see if the longstanding deadlock will be broken this time.

The upcoming talks are noteworthy because of some new conditions, such as the unilateral disarmament actions of the Soviet Union and Eastern Europe. The Soviet Union has announced that it will reduce its troops stationed on its own territory and in East European countries by 500,000 in the next 2 years, and will withdraw some weapons and military equipment from Eastern Europe. Along with the action taken by the Soviet Union, various East European countries have also successively announced their own plans to reduce their conventional troops. So far, six of the seven Warsaw Pact countries, including the Soviet Union, have announced different degrees of unilateral disarmament. This attracted special attention from international opinion.

According to the explanation of the Soviet Union and various East European countries, their decisions on unilateral disarmament served the purposes of first, readjusting their own military forces so as to make them “more defensive in nature” and second, “further advancing the detente process and promoting the successful holding of the talks on reducing armaments in Europe in March.”

NATO countries have prudently welcomed the unilateral disarmament actions taken by the Soviet Union and various East European countries, but refused to take reciprocal action. NATO’s explanation is that the military forces deployed in Europe by the Warsaw Pact exceeds NATO’s in quantity. It seems that NATO’s reaction was rather passive. As many Western people pointed out, although the action taken by the Soviet Union and Eastern Europe will not thoroughly eliminate the imbalance in strength between the two major military blocs, it will still play a positive role in promoting the disarmament and detente process in Europe.

Through painstaking bargaining at the European Security Conference in early January of this year, a compromise was reached on the target, form, and scope of the talks on conventional disarmament in Europe, and both sides agreed to maintain Europe’s stability and security through realizing a low level of land-based conventional military force ensured by effective and strict verification measures. Opinion is that this was a follow-up meeting

that made the greatest progress since the Helsinki Conference in 1975, and it terminated the situation in which no result had been achieved for 14 years in the field of balanced disarmament in Central Europe.

In view of the above background and especially the current detente tendency in the international situation, people again pin hopes on the coming talks on reducing conventional military forces in Europe. It is hoped that the talks will not be the continuation of “dialogue between the deaf” and will reach a disarmament agreement favorable to Europe’s peace and stability. At the same time, people are also aware that it is hard for the two major military blocs in Europe to remove their mutual distrust caused by serious confrontation over the past decades, so the coming talks will be another round of hard bargaining.

### Reform of Socialist Countries Viewed, Part Three

HK0203122189 Beijing SHIJIE ZHISHI in Chinese  
No 3, 1 Feb 89 pp 2-9

[Speeches by Gao Fang (7559 2397), Song Yimin (1345 0110 2404), Qin Xiaoying (4440 2556 7751), and Zhou Yushan (0719 3558 1472) at a Forum on Reunderstanding Socialism and Reform of Socialist Countries, Part Three; Part One was published in the 7 February China DAILY REPORT, and Part Two was published in the 10 February China DAILY REPORT]

[Text] Speech by Prof Gao Fang, director of the International Political Research Institute of the People’s University of China: Knotty Problems in Political Restructuring of Socialist Countries:

The reform of socialist countries is 38 years old if counted from 1950, when Yugoslavia introduced its reform, and 32 years old if dated from 1956, when the 20th CPSU National Congress launched criticism against Stalin. Through the 30-odd years of reform, socialist countries have failed so far to come up with a quite successful model of reform. *Why has socialist reform encountered numerous setbacks and difficulties?* This is indeed a question about which many people have great concern, a question that demands a prompt solution. If this question is not answered thoroughly, people may ask: What are the prospects of socialist reform?

*As I see it, the main reason for the failure of socialist reform does not lie in the economic structure. Although ownership reform, inflation, and the market mechanism constitute difficult problems, a greater one is lack or absence of coordination between political and economic structural reforms.*

### The Question of High Concentration of Power

The main drawback of socialist countries is high concentration of power. In the political structure, high concentration of power is manifested in, among other things, concentration of power in individuals, life-long tenure of

office, designation of successors, replacement of rule of law by rule of man, and usurpation of government matters by party organizations. This is where the root of the socialist economic structure's malpractices lies. All socialist countries first established a regime characterized by high concentration of power under the leadership of the Communist Party and then confiscated or transformed private capital, established a socialist economy based on public ownership, and took over old universities and turned them into socialist ones. The malpractices of the economic and cultural structures, such as high concentration of power, mandatory planning, and cultural autocracy, also derive from high concentration of power in the political field. This being the case, reform should ensure that political restructuring takes the lead and brings along economic and cultural reforms with it.

*What is the theoretical basis for a political structure characterized by high concentration of power?* In my view, it is based on the "doctrine of being capable in everything." According to the traditional concept of the past, the Communist Party is composed of the advanced elements of the working class, and its leaders are elite elements who have a high Marxist theoretical level, rich experience in waging struggle, and a strong ability to organize. This argument is not without truth. However, from there, the traditional concept regards the Communist Party as being capable in everything. Even in grass-roots units, party branch secretaries take on everything by exercising unified leadership in a direct manner. This being the case, to reform the political structure characterized by overconcentration of power, among other things, we should start with the expansion of inner-party democracy within the Communist Party. If there is no inner-party democracy in the Communist Party, how can it be imagined that there will be any social democracy in a country under the leadership of the Communist Party?

The 19th CPSU Conference of Party Delegates adopted a concrete decision to abolish the system of guaranteeing leaders life-long posts, which stipulated that leaders should stay in their posts no longer than two terms. This meant progress. At the same time, the conference recommended and elected the party's general secretary as the Soviet president. This is somewhat similar to the U.S. presidential government. However, in my opinion, in the Soviet political structure there are still two problems to solve. First, the American President is elected from among two political parties through presidential elections. As the Soviet Union is a one-party country and has just one general secretary, the Soviet congress of deputies has but to elect him. Everybody would elect a person like Mikhail Gorbachev, who is in the prime of life and who so firmly favors reforms. What should the people do if the general secretary turns out not to be an ideal person? Second, does the general secretary have unrestricted authority? Can another new concentration of power in an individual take shape? Recently, the revised draft of the Soviet Constitution restricted the authority of the number one man by collective leadership and stipulated

that the Supreme Soviet can veto the president's decisions. Apparently, this is an attempt to solve the above problem. So it is my view that when the political structure goes, the Soviet Union will still have many problems to observe and study.

#### The Question of Inner-Party Democracy

As far as this question is concerned, recently the Soviet Union called a representative conference. I think this was progress. Historically, Soviet party congresses and representative conferences were held annually. The previous representative conference, namely, the 18th CPSU Conference of Party Delegates, was held 47 years ago in 1941. Now many parties feel that 5 years is too long between party congresses, and that it is necessary to bridge the gap between congresses with a representative conference. The Yugoslav, Hungarian, Bulgarian, and other parties held representative conferences not long ago, and our party also convened a representative conference in 1985. This means progress in inner-party democracy in the Communist Party. In my opinion, if further efforts are made to revive the annual representative conference system, this will conform with Marxist party-building principles.

By sabotaging the annual party congress system set up by Marx and Lenin, Stalin shifted the party's power center from its congress to its Central Committee's Political Bureau, and even to the bureau's five-member group, thus placing the Political Bureau above the whole party. Therefore, whether the Soviet political structural reform can be successful and inner-party democracy really achieved depends to a great extent on whether the party congress can become the party's power center. *To genuinely play the role of power center, the party congress should have certain conditions.* First, representatives should really be elected democratically from grass-roots organizations. What the central committee should do is just assign to lower levels the number of representatives to be sent. Second, every year, before a party congress is convened, representatives should contact the party members in their localities and collect their opinions on the making of policies by the congress and party leaders. Party representatives should air the collected opinions at the congress. Third, at the congress, representatives should freely discuss and even debate major policy decisions and the choice of party leaders, and both affirm and criticize the work of the preceding central committee. Fourth, having been freely discussed or debated, the party's major policy decisions should be decided on an equal footing, following the principles of one member, one vote and majority rule. The policy decisions adopted by a party congress may also go amiss, but they can be corrected at the next year's party congress in line with the experience accumulated from practice.

There is a problem of supervision by public opinion in this regard. In line with the tradition of the international communist movement, the official newspaper of a Communist Party is not under the leadership of its central

committee, and even the central official newspaper's editorial committee is of equal rank with the central committee. The director and chief editor of the central official newspaper are elected by a party congress to which the newspaper is answerable. This is the way the German Socialist Democratic Party ran its SOCIALIST DEMOCRATISHER in those years and the way the RED STAR was run in the Lenin years. However, subsequently Stalin put PRAVDA under the Politburo's strict control. As a result, the central official newspaper of the party was unable to supervise the Politburo. At the recent Soviet party representative conference, some people suggested that the party's official newspaper be the official newspaper of the entire party membership, rather than of the Central Committee. In my view, since the entire party membership is not an organ, we cannot say the party's official newspaper is one of the entire party membership. It must be the official newspaper of the party congress, because the party congress is the party's supreme organ of power.

#### The Question of Separating Party From Government Functions and of a Multiparty System

Although the Soviet Union and other socialist countries have conducted such numerous reforms, as I see it, in the political structure, the usurpation of the responsibilities of the government by the party has not been thoroughly changed. How to put an end to the usurpation of the responsibilities of the government by the party in practice and how to separate the functions of the party from those of the government remains a big problem, which is now being explored. Recently, the CPSU Central Committee set up six committees to study and make policy decisions. Their policy decisions will be submitted to the Supreme Soviet for adoption and assigned to the government for implementation. All in all, the prospect of a solution to the usurpation of government responsibilities by party organizations in the Soviet Union has yet to be seen. Clearly, only when a functional change is effected in the party Central Committee and it only puts forth the basic line and development strategy, ceases to make decisions on the government's concrete policies, and lets the Supreme Soviet and the government make their own policy decisions can a genuine separation of government from party functions be achieved.

In the process of reform in such countries as Hungary, Yugoslavia, and Poland, some people have raised the question of whether a socialist country is destined to pursue a one-party system. This is a controversial issue. Some people contended: In the socialist stage a commodity economy is to be developed, and there are different classes, strata, and interest groups. This may possibly give rise to many parties. Even the working class is not destined to be confined to one party only. During the periods of the Second and Third Internationales, in order not to disperse the working class forces, it was decided that the working class should establish only one party. Subsequent practice has proved that in relatively developed capitalist countries, the political parties of the

working class have all along been many and never unified. For example, there are the Labor Party and the Communist Party in Britain. As far as communist parties are concerned, there is more than one Communist Party in certain countries. For example, there are three communist parties in Spain and four in Italy. Under these circumstances, which of them will actually exercise leadership if these countries want to take the road of socialism? This can only be tested by practice and chosen by the people. Countries such as the Soviet Union and Hungary adopted a one-party system due to their specific historical conditions. Now a debate over the question of a multiparty system is now going on in these countries. Views vary from country to country and from party to party on the issue. Recently, the Hungarian party general secretary Karoly Grosz contended: It is not most ideal to pursue a multiparty system at a time when we are facing a crisis and concentrating our energies on freeing ourselves from the crisis. (Editor's note: Recently, when talking with people in scientific and cultural circles, Mikhail Gorbachev also did not agree with the idea of a multiparty system.) However, many people in their countries maintain: The implementation of a multiparty system is likely in the future. The multiparty system assumes two forms. One is the form of one party exercising secure leadership in cooperation with many other parties on a long-term basis, a form which has been adopted by Poland, Czechoslovakia, Bulgaria, the GDR, and our country. Of course, this form needs further development and improvement. The other is the form adopted by Western countries, in which parties compete with one another and the number of seats in their parliaments and governments is decided by the number of garnered votes. The issue of political parties in socialist countries is developing and changing. We should pay close attention to and strengthen study on the issue.

Speech by Song Yimin, research fellow of the China Institute for International Studies: Either Reform at Home or Opening Up to the Outside World Is a One-way Street:

Currently, there is a universally held view that the development of a country cannot be achieved in the absence of the general development of the whole world, and the development of a certain field of endeavor in a country also cannot be achieved in the absence of the development of other fields. These two interact with each other. Some Western scholars summarize this phenomenon using "lateral reliance" and "horizontal reliance," as well as the interaction of these two reliances. While carrying out reform at home, socialist countries have all pursued a policy of opening up to the outside world and, in the course of reform, have paid attention to the coordination of innovations in such areas as economics, politics, culture, education, and ideology. This shows that these two relations have materialized in practice. Pointing out the relationship between world change and social change in various countries, some Soviet scholars said: The faster and the greater the changes in the world, the higher will be the probability of social changes in

various countries. Such is precisely the fact. The world situation is now undergoing a significant change. The cold war is becoming a thing of the past. In terms of military confrontation, the situation has relaxed. However, the interdependence and competition in the economic sphere of various countries, no matter what their social systems or to which military blocs they are attached, and of various regional economic blocs are simultaneously intensifying. This both brings new opportunities and poses new challenges to the development of various countries. For some countries, it also serves as a new factor causing domestic unrest.

Admitting and knowing how to make use of the above-mentioned relations and their interaction is of great significance to the reform of socialist countries. Reviewing past actions, we will notice that if we do otherwise, we will suffer for it. Reforms in the Soviet Union and Eastern Europe surged to a second peak in the mid-1960's, and were discontinued at the end of the 1960's. The year 1968 was an indicative year, a year in which the Soviet Union dispatched troops to Czechoslovakia and, at home, the reform propositions worked out by Aleksey Kosygin were negated. In subsequent years, not only was political restructuring totally absent from the agenda, but economic reform also stagnated. However, in the early 1970's there emerged a situation in which economic relations between East and West developed rapidly. By utilizing the opportunity when the FRG put forth its Ostpolitik and the United States adopted a contracting and defensive stance internationally, the Soviet Union and Eastern Europe opened up a new situation. They imported capital and technology from the West in large quantities. Nevertheless, they mainly used them in meeting the desire of their peoples for consumption, thus gaining in return a relatively stable political situation. It seems that at that time there might possibly have been a view of developing the economy using opening to the outside world instead of reform. However, the subsequent dislocation between opening up and reform had adverse consequences. Without a thorough improvement in internal economic mechanisms, the economic development brought about by opening up to the outside world can be nothing but transient. Without reform, it will be difficult to raise product quality continuously, and products will become less competitive in the world market. The money borrowed from the West will soon become a monstrous amount of debt, and the burden will get heavier and heavier. Now almost all East European countries have come to realize that it is imperative to carry out reform. Having summed up their experiences, positive and negative, over the last few years, the countries which introduced reforms earlier have realized that they are now facing economic difficulties, and even crises, because they were overcautious in the previous reforms and, moreover, political reform was not carried out simultaneously. They are determined to carry out thorough reforms in all fields of endeavor. However, this time they are handicapped by heavy

foreign debts. For example, they have to take into account the opinions of the International Monetary Fund and to adopt stringent economic policies.

The Soviet Union is now borrowing money from the West on a fairly large scale. The amount of money borrowed in the past was \$2 billion or more a year, but the present figure is around \$10 billion. This shows the Soviet determination to open wider to the outside world. Seeing that the Soviet people have not gained substantial benefits from reform so far, the Soviet Union badly needs to develop the production of consumer goods. The loans now under discussion will be used mainly in this area. This being the case, will the Soviet Union get bogged down in heavy debt and be unable to extricate itself in several years' time?

Clearly, the Soviet Union has taken note of the positive and negative experiences of some Eastern European countries and, moreover, it has a relatively solid economic force. Meanwhile, what merits attention is that the Soviet Union already has a comparatively clear and definite guiding ideology: Carrying out thorough reform domestically, opening wide to the outside world on every side, and closely combining the efforts in the two areas. When domestic reform is carried out, political reform is placed in a very important position. It is argued that the basic lesson learned from past economic reform failures is that political restructuring was not carried out simultaneously with economic reform. The current policy is to ensure and promote economic reform with political reform and also to upgrade ideology and foreign policies. Opening up to the outside world is not confined only to the importation of foreign capital and technology. It is also aimed at promoting economic exchanges, participating in the world economic activities with capitalist countries as the main players, and absorbing all the rational and valuable elements of the opposing social and ideological systems. For example, some Soviet scholars suggested: The fundamental experience of monopoly capitalism is that while paying attention to centralized regulation in macroeconomic terms, enterprises are given full autonomy. This is worth using for reference. In regard to the question of cultural exchange, Foreign Affairs Minister Eduard Shevardnadze said: We should not distinguish our culture from others. Between them there exists eternal spiritual wealth. Recently, some Soviet scholars advocated: New political thinking must be a generalization of the ideological achievements of human society. Not only is it the organic component of the Marxist world outlook but it also absorbs some rational elements of the opposing ideological system. For example, any ideology in conformity with the targets of humanism [ren dao zhu yi 0086 6670 0031 5030] has a certain value.

Recently, the Soviet Union further affirmed and developed the idea of internal affairs having a direct bearing on foreign affairs. In a speech delivered at the Ministry of Foreign Affairs in July 1988, Shevardnadze made a broad statement on the issue: Domestic democratization

is the prerequisite and necessary condition for the democratization of relations between states, and the image of a state depends on how its government treats its citizens and whether it respects citizens' rights and privileges as well as freedom and whether it recognizes individual rights and privileges. For a period, in handling internal and external affairs, the Soviet Union has done its best to reach a greater identity of views with other countries so as to improve significantly its image in the world community. It has combined reform of the political structure closely with readjustment of foreign policies, hoping to ensure that each will promote the other.

That internal and external relations are interrelated is unavoidable. However, this also brings more, complex factors to the domestic development of various countries and to the international situation. How to ensure that exchanges with foreign countries will help achieve the economic development and social progress of a country and not cause a certain confusion and unease and how to ensure that the factors for internal unrest or latent disturbances in some countries will not adversely affect the international situation of detente and stability are problems which have not yet been completely solved. It seems that so long as all countries are good at handling various relations in light of their own national conditions and, at the same time, pursue firmly a policy of noninterference in other countries' domestic affairs, the various complex factors, be they domestic or international, will not develop to the extent of getting out of control.

**Speech by Qin Xiaoying, deputy chief editor of "ZHONGHUA YINGLIE (THE BRAVE AMONG THE CHINESE)" and investigator and researcher of the Propaganda Department of the CPC Central Committee: Reform Must Conform With the General Trend of World Development:**

Before anything else, let me cite an event. Recently, some comrades returned from the Soviet Union and talked about several events. Listening, I felt the Soviet political structural reform was moving ahead in a relatively down-to-earth manner. First, the Soviet Union has stipulated recently: Leading cadres at and above the Secretariat level will no longer hold posts concurrently in the party Central Committee or ministerial posts in local government. Second, a provision which was introduced in 1956, but which had never been carried out, was reimplemented. According to the provision, all expenditure for the administration of party organizations should be covered by party membership dues. This sounds novel to us. In fact, many parties already have this provision in place, but it has never been followed through. Gorbachev said: There is no other way to streamline party organizations but to apply economic laws. Poland is now streamlining its administrative structure. The staff of its party's propaganda department has been cut to just 20 people. Consequently, the party's forms and functions in managing society, culture, and ideology will surely undergo a change. Otherwise, the party will be unable to do the job. Third, the power

center has now been shifted to the Central Committee. How has the shift been accomplished? First, the minutes of ordinary Politburo discussion meetings were distributed to every Central Committee member to read. Later, the CPSU felt that this way of doing things had not led to the shifting of the power center. Hence, it introduced another new provision: In the future, before a Politburo meeting is called, all Central Committee members should be informed by circulated notice of the matters to be discussed. If members are interested in those matters, they may attend the meeting without voting rights and air their opinions. It can thus be seen that the Soviet Union has moved ahead fairly seriously with its political structural reform.

#### **The Broad Line of Thinking on Reform Is Not Clear**

The first problem I would like to discuss today is that the broad line of thinking on reform of socialist political and economic structures is not clear. This being the case, some confusion has emerged frequently. For example, some people have said: To bring the enthusiasm of local authorities and the lower levels into play, it is necessary to delegate powers to the people, to return the power of government to the hands of the people, and to store wealth among the people. It is all right for the central authorities to have their powers shared a little. So long as local authorities have greater powers, the people can manage to get along well just the same. This is why we advocate that to effect the transition from product economy to commodity economy, all our actions should be in accordance with economic laws. This is a fairly good idea. However, when something goes wrong with the economy, some people will immediately think of applying administrative interference. The lesson they learned previously was too much administrative interference. Then we would like to ask what their line of thinking actually is. As I see it, the blurred broad line of thinking is vital to the reform of socialist countries. The fact that the further Nikita Khrushchev carried out his reform program, the greater the chaos became was related to this issue. Similarly, in the political structure, the blurred broad line of thinking is also manifested in the separation of party functions from government functions and the system of guaranteeing leading cadres life-long posts.

If the line of thinking on reform is not clear, it will cause extreme confusion. In my opinion, the problem results mainly from the lack of a set of relatively complete reform theories. A country without theories is a hopeless country. Today, the SHIJIE ZHISHI Editorial Department has managed to discuss matters relating to theories concerning international issues and economic restructuring, thus doing a very good job.

#### **First, It Is Necessary To Have a Clear Picture of World Trends**

How should we achieve a clear broad line of thinking? I think it is wise for us to consider this question from a comparatively extensive perspective. Now that socialist

reform is part of world progress, we should have a clear picture of the trend of the whole world in the 20th century. If socialism is to develop and reform is to succeed, we should go along with the trend of this century. Otherwise, we may possibly take measures contrary to the trend of world progress and socialism will be in a hopeless situation and forever unable to extricate itself from the situation of low productivity and free itself from the confusion of reform ideas.

*The first trend is the end of the era of political giants and great men in the 20th century.* The early and middle periods of the 20th century were an era of great men and giant stars, so great an era that these great men failed to hear the voices of the people. These great men were so great that they basically failed to hear the voices of the people, ordinary people even failed to see themselves, and people's wills were completely unified with those of the great men. Since entering the 1960's and 1970's, and particularly today, this trend has collapsed. In reforming the socialist political structure, we must take note of not going against this trend.

More often than not, the disappearance of the era of giants was accompanied by some political chaos, as seen today. However, this does not necessarily mean economic disorder. Many countries are plagued with political chaos but their economies are still in good order. For example, since World War II, Italy has undergone the replacement of its prime minister nearly 20 times, but it continues to develop. The reason is that a number of social administrative levels has managed society and put it in good order by relying on scientific management and the use of science and culture, resulting in social progress or new-type pluralistic politics that is the opposite of monistic politics.

*The second trend is "convergence [qu tong 6395 0681]."* On the whole, capitalism is a process of natural and spontaneous historical development. It has undergone the process of commodity economic development and not that of political power control. Capitalism develops through free competition. However, as it develops, capitalist economy has a by-product of its own, namely, serious social unfairness. This was particularly the case 100 years ago when Marx wrote his "Das Kapital" and "Manifesto of the Communist Party." By the time Lenin wrote his "On Imperialism," there had emerged a misconception that the collapse of imperialism was imminent. When capitalism entered the 20th century, a serious economic crisis, and political and military crises like the two World Wars broke out. Against this backdrop, Stalin advanced his "general crisis" theory. However, it was also just in the middle of this century that capitalism began to pay attention to the issue and regulated itself and started to make efforts to alleviate the problem of social unfairness and, moreover, exerted tremendous efforts to do so internationally and domestically. To alleviate the problem of social unfairness, now it is more ready to sacrifice a certain development efficiency. Hence, it has inheritance laws, antimonopoly laws, and many other laws.

Under socialism things are just the reverse. From the start, socialists (be they utopian or scientific socialists) have never abandoned their pursuit of social fairness, asserting that there are all sorts of unfair social phenomena under capitalism. Beginning with the founders of Marxism, they have embraced the idea of seeking social fairness. It must be said that with the establishment of the Soviet regime in the 1917 October Revolution, this idea of social fairness should have been achieved and, moreover, achieved by the use of power. Nevertheless, we must not forget that the fairness we are discussing here was social fairness practiced in a country with extremely underdeveloped material production. Compared with the fairness envisaged by Marx, this fairness had a different social material base. Therefore, under these circumstances, material fairness was in fact not achieved. So, in 1921 Lenin put forward the New Economic Policy, concentrating on solving the problem of efficiency, with the aim of creating productive forces much stronger than those under capitalism. My view is that the starting point of socialist reform is solving the problem of efficiency. In the course of reform of socialist countries there have surfaced some phenomena of social unfairness. As history develops, although these phenomena should be reduced as far as possible, they cannot be avoided entirely. From the above analysis we can see that *the convergence of socialism and capitalism has begun to emerge in this century.* In global terms, Deng Xiaoping's idea of "one country, two systems" means the peaceful coexistence of two systems. This is the concrete embodiment of the tendency of this convergence. One of the fundamental reasons behind this tendency is that *both socialism and capitalism, currently existing, stem from the same source, that is, feudalism.* The socialism of today is not the product of highly developed capitalism, as envisaged by classical Marxist writers. This is probably the reason they are tending to converge. Many people say: Socialism should surpass capitalism. For capitalism's part, it also wants to surpass socialism. In fact, we are always surpassing it in words, but in reality, that is not the case. Why is this? It is because in real society the two systems originated from the feudal or semifeudal patriarchal society and were precapitalist social formations. Hence, we now have the basic stand on dialogue. The precapitalist patriarchal society gave birth to modern capitalism and modern socialism. In the past we always maintained: It is okay to apply this argument to socialism in China, but it will perhaps not work if we apply it to socialism in other parts of the world. It has now been proved that the argument is applicable to both China and other socialist countries in the world. Hence, it is of universal significance.

*Let me talk more about the question of the world village.* Moving from confrontation to dialogue is another trend in the 20th century. Today let me discuss my views from the angle of modes of thinking. As everybody knows, politics and philosophy are basic theories which are the opposite of the natural sciences. Comparatively, it is their nature to lag behind. At the beginning of this

century there emerged Albert Einstein's special and general theories of relativity. The great role his theories played was in sparking a revolution in human thinking rather than in building atomic and thermonuclear weapons. However, this revolution has not spread very rapidly to political science. The ideas in the time of Charles Darwin and Isaac Newton, straight, corresponding thought characterized by cause and effect, remain the natural scientific base for our political science. Political science has not accepted Einstein's revolution in thinking. In other words, political science is lagging behind. Such being the case, in the handling of international relations there is the idea of straight confrontation, or the survival of the fittest. Its scientific basis remains the ideas of Darwin and Newton. Therefore, in the 1950's, both the East and the West were determined to gobble each other up. One may even say they were extremely antagonistic.

As the scientific and technological revolution, the revolution in thinking, and the information revolution continue to develop, we have finally realized that in this world village no one is a first-class citizen and everybody is equal. Who will manage to gobble up whom? As such, it is necessary to establish a new world order. This is currently the most-discussed topic of conversation—the world village. The international organizations which had contracted in the past, such as the League of Nations during World War I and the United Nations in the early days of World War II, have been increasingly expanding in recent years, assuming greater and greater real power. More and more countries wish to play a role in international organizations. The thriving and the development of international organizations is a major trend of today's world. To put it briefly, the world is created jointly by mankind. Its bright future will certainly be the result of the concerted efforts of mankind.

#### The Change in the Concept of Democracy

*The change in the concept of democracy is also a great political change in mankind in the 20th century.* At present the concept of democracy of some socialist countries remains outmoded. This has adversely affected the reform of the political structure. As Comrade Su Shaozhi said recently, democratization is indispensable to economic and political modernization. Our traditional concept of democracy can be summarized in one sentence: The minority should submit to the majority and the interests of the majority should be safeguarded. In fact, this concept was formed under the slave democratic system during the Greek and Roman ages of the past. It was advanced by Aristotle in his "History." According to the concept, the minority should submit to the majority and democracy means rule by the majority. This was a very primitive concept. However, in the 1960's, as scientific and technological revolution continuously emerged, production was carried out by individual households rather than groups in a smaller and

scattered way, and the concept of democracy also underwent an essential change. In reality, democracy is moving closer to freedom. To put it another way, everybody has the right to uphold, maintain, and safeguard his own interests, and in particular, the right to adhere to his independent will.

With the lateral development of man, man's latent potential has been brought into play. Just as Marx said: Socialism means not only the development of productive forces but also the overall development of man. The strengthening of contemporary man's lateral economic relations and man's lateral generational relations or the generational relations between the middle-aged, the aged, and the young has caused the "official standards" to fall apart piece by piece.

It is just because of these trends that a policy maker who conducts state reform using Marxism as the guide can have a clear line of thinking only when he understands the trend of the whole world. If we recognize the laws governing convergence and dialogue, the conceptual changes regarding democracy and generations, and the disappearance of great-men politics, we can see that some of our comrades have so far, intentionally or unintentionally, done things contrary to world trends. If things are allowed to go on that way, they will get nowhere the further they go, and the whole reform of socialist countries will lead into a blind alley.

#### The School Advocating the Model of Humanitarian [ren da] 0086 6670] Socialism Is Most Fascinating

The second question is that there are several schools of models concerning the current socialist reform.

*The school advocating the model of centralized power.* This school is mainly composed of economists and technocrats. According to one argument, it is wrong to attribute economic failures to overconcentration of power and, on the contrary, it is necessary to achieve development by using all powers and concentrating all resources in the hands of the state. In other words, development should be achieved by sacrificing democracy. This view reveals a very difficult problem of socialism, that is, socialism faces the task of both delegating powers to the lower levels to invigorate grass-roots units and raising funds to catch up with developed countries. However, it is difficult to accept or reject the task.

This school advocates centralization of power economically and politically. Its proponents contend that democracy has many implications. Apart from the individual expression of political views, will, ideology, activities, and actions, democracy means a legal system and the establishment of a new order. They do not say that democracy should not be practiced. This school has undergone ups and downs in socialist countries. However, it has its own strong points. It recognizes the problem of efficiency, but its methods of solving it will

very likely meet with failure. It is wrong for the school advocating the centralized power model to regard the "four little dragons" as the model for success.

*The school advocating the Western model.* There is no denying the fact that more often than not, intellectuals engaged in the natural sciences belong to this school. They consider problems proceeding from the vast differences in elevation between natural sciences and between socialism and capitalism. They contend: Backwardness results from inappropriate ideological control, and ideological control cannot work because the political structure is beset with problems. To develop, the East must become Westernized. This is the logic of their thinking. They try to make the peoples of their countries see the gap between East and West and then to have a sense of crisis. This is a good thing. They have rendered a great service. Strictly speaking, what they adopt is historical eclecticism. It is manifested in making every effort to stress the West, with compromise being the final objective. In reality, it is impossible to discard chopsticks in favor of forks. *The school advocating the populist model.* To be strict, this model is advanced in view of the socially unfair phenomena cropping up following the introduction of reform. Its proponents demand that the economy be developed on the basis of the earliest economic structures of Eastern countries. Instead of intending to preserve the previous natural and patriarchal economies, they want to just bypass capitalism. As they see it, commercialization in modern capitalism is really too ugly and, therefore, they want to bypass it. After mass industrialization was achieved, is it not a fact that there exist post-industrialized societies in the West and that a town economy still operates? They want to enter the Western post-industrialized society, or to take the road of supramodernization. Although their tentative ideas are "ultramodern," with their feelings remaining worn-out, they are still yearning for the past.

*The school advocating the model of wanting perfection.* Some early Soviet reformers thought that socialism should be perfected. A considerable number of people in China hold this view. They contend: Since socialism is not perfect, it is necessary to close its loopholes and to overcome its shortcomings.

*The school advocating the model of humanitarian socialism.* In the Soviet Union, Matveyev and others belong to this school. They stress humanitarianism (ren dao zhu yi 0086 6670 0031 5030) and the position of man under socialism, and are firmly opposed to distorted criticism of humanitarianism. They argue: Humanity [ren dao 0086 6670] has always been the creation of the people, and not the bourgeoisie. I agree very much with this argument. Like material wealth, spiritual wealth is also created by the people. Things such as humanity have always existed. Therefore, socialism should develop them to the maximum. The school advocating the model of humanitarian socialism is a very important school representing social progress.

The reason people lack a clear line of thinking on socialist reform is that they do not have a clear picture of the direction of development of socialism. Hence, there exist the above five models. My personal view is that the fifth model is in comparative conformity with the laws governing social development and also can win the support of people internationally. Speech by Zhou Yushan, SHIJIE ZHISHI's special commentator: What Counts Lies in How To Approach People Correctly:

Studying reforms in the Soviet Union and East European countries is important to us because in the past, our political and economic structures were established on the same basis as theirs. Naturally, we are now encountering many common problems. The measures and methods they have adopted in their reforms and the success or failure of their reforms are of great significance to us as reference. Today let me mainly discuss my views on the issue raised in the Soviet Union that socialism is a humanitarian system.

#### A Theoretical Breakthrough: "Update Socialism"

A correct understanding is the prerequisite for ensuring the smooth progress of reform, and it can be obtained only by making continuous revisions in real life. In the course of reform, the Soviet Union has always paid great attention to exploring the question of theoretical concepts, thus constantly deepening its understanding. This is manifested in, among other things, the reunderstanding of the mission of reform and of socialism itself. At first, the task of the Soviet reform was to improve socialism. The starting point at that time was to prevent economic growth rates from declining and society from sliding into crisis, with the main stress on economic growth rates. The plan worked out by the 27th CPSU National Committee to double its economic capacity was dubbed an "acceleration strategy." In 1985-86, "acceleration" became the most popular word.

As reform practice has developed and the severity of problems has revealed itself, the Soviet Union has deepened its understanding and recently raised a more thoroughgoing call: "Update socialism." Moving from "improving" to "updating" socialism is a logical process of deepening or a breakthrough in cognitive development. Some dogmas which have been accepted as infallible law in the past have been negated and some new concepts have emerged. However, ultimately, an answer must be given to the question of what socialism is and what basic characteristics it has. The 19th CPSU Conference of Party Delegates held in June 1986 [as published] cited seven essential characteristics of socialism. They are that socialism is a genuine, actual humanitarian system; it is an effective and lively economic system directly subordinated to meeting social demands; it is a system under which power is really in the hands of the people; it is a system under which all nationalities are really equal; and it is a system that desires peace and works for cooperation among peoples of all countries.

Among these characteristics, **humanitarianism** is foremost. Gorbachev said emphatically: Under the actual humanitarian system, man is the yardstick for gauging everything and the development of various social sectors is aimed at meeting man's needs and is for the sake of man's overall development. Three decades ago, Khrushchev raised the call of "all for the sake of man and for man's happiness." However, he failed to put it into effect.

### Put Man in an Appropriate Position

In several postwar decades of world development, there has been an abnormal phenomenon: Socialist countries with a superior social system have in general, in such areas as economics, science and technology, and standard of living, lagged behind developed countries in the West or in Asia. This state of affairs has made many people puzzled and driven them to ponder. Why is this? In the final analysis, in what aspects has socialism gone wrong? The answer varies from individual to individual and the same is true of the reasons. Nevertheless, Soviet humanitarian socialism gives people an important revelation: Does the main problem hindering socialist countries from moving ahead at a quicker rate actually lie in "man himself," or in the neglect of the value of man and the failure to put man in a correct position? For quite some time in the past, centralized unity has been stressed; the immense variety of people's individuality, benefits, and interests ignored; and people turned into "submissive tools" and "screws," devoid of their own true faces, thus arresting the development of their subjective activity and creativity. More lamentably, when the Soviet Union broadened the scope of struggle to eliminate counterrevolutionaries, and China magnified the antirightist struggle and launched the "Great Cultural Revolution," the dignity and value of man were looked upon as dirt, and talent and wisdom thrown into the "rubbish heap of history" and locked in cells. Humanitarianism, human rights, and human interests were severely criticized. This led to impoverished social ideas and oversimplified and monotonous thinking, and stifled the most important revolutionary force driving scientific and technological progress and the development of production—man's intelligence and wisdom and desire to transform society.

Bitter historical lessons provide food for thought. Through rethinking the path it has followed for several decades in the past, the Soviet Union has come to realize the importance of the human factor and begun to respect man's dignity and rights and privileges. The 19th CPSU Conference of Party Delegates pointed out: "Man's rights and privileges are neither a favor given by the state nor a reward granted by any individual. They are the specific property of which socialism cannot be deprived." There is a well-known philosophical formula in the "Manifesto of the Communist Party" which reads: "The free development of each person is the condition for the free development of all." "It is precisely people's

social position that vests in them the rights and privileges and duties they should shoulder and finally determines their enthusiasm for society, labor, and politics." Recently, Gorbachev again stressed: The yardstick by which to judge whether reform is socialist in nature is regarding man as an objective [mu di 41584104] rather than a tool. The greatest distortion of Lenin's concept of socialism is that man is being increasingly turned from the highest value and objective of social development into a tool with which to fulfill particular economic or political tasks.

In line with the new understanding, the Soviet Union has revised its attitude toward and ways of handling human rights issues and no longer passively evades them in international intercourse. Gorbachev sits together with Ronald Reagan to discuss human rights issues; in the life of the state, democracy and self-government are expanded and opinions from various sectors encouraged; laws are enacted to protect the rights and privileges of citizens; and some political prisoners have been released. All this has enriched Soviet social life and animated social thinking, thus putting an end to the situation resembling a stagnant pool.

There is no smooth road to take from being highly concentrated to being democratic and from being closed to being open. To achieve this, one must undergo a process beset with difficulties. In the tidal current of reform there are both mud and silt, and fish eyes are used for pearls. Democratization, openness, and pluralist opinion have brought vigor and progress as well as new contradictions and difficulties to Soviet society. The fact that difficulties among nationalities have surfaced, individuals and organizations holding dissident views have entered the social arena from behind the scenes, and new and old contradictions have become interwoven have made it more difficult for reform to move ahead. It is much more difficult and involves greater risks to handle these problems using democratic means rather than administrative orders. However, if this is not done, there will be no way to remedy the longstanding severe and lingering illness and to make socialism bodily sound. Moreover, the concept of democracy relates only to man. In other words, it is necessary to put man in the correct position, to bring the value of man into full play, and to properly readjust relations between man and man.

### Li Peng Meets Foreign Ambassadors OW0203232689 Beijing XINHUA in English 1308 GMT 2 Mar 89

[Text] Beijing, March 2 (XINHUA)—Chinese Premier Li Peng met six outgoing or new foreign ambassadors to China at the Great Hall of the People here this afternoon.

The foreign envoys were: outgoing Tanzanian Ambassador Clement George Kahama, new Polish Ambassador Marian Wozniak, new Brazilian Ambassador Roberto

Abdenur, new Ghanaian Ambassador Jonas Awuku Afare, new Ecuadorian Ambassador Rodrigo Valdez Baquero and new Ambassador of Cameroon Etian Elain-Elle.

Li spoke highly of Tanzanian Ambassador Kahama's contribution to strengthening Sino-Tanzanian and Sino-African friendship during his term of office as an ambassador here.

The Chinese premier also expressed warm welcome to the five new ambassadors to China.

### United States & Canada

#### **U.S. Relaxes Restrictions on Exports to China** *HK0303101089 Beijing RENMIN RIBAO in Chinese 3 Mar 89 p 1*

[Report by reporter Zhang Qixin (1728 0796 2500): "The United States Relaxes Restrictions on Exports to China"]

[Text] Washington, 1 Mar (RENMIN RIBAO)—The Department of Commerce of the United States today announced that according to the agreement reached by the Coordinating Committee on Export Controls (COCOM), the United States has made important revisions of the restrictions on exports to China.

It is said that the agreement of the COCOM has made important revisions of the restrictions on the export of 13 products and the major revision is to enhance the technological standards of the export items to the PRC, including the postal and telecommunications equipment, metal processing equipment, chemical industrial and petroleum equipment, electrically powered equipment, general industrial equipment, transport equipment, electronic and precision instruments, chemical industrial products, nonmetallic products, petroleum products, and the other relevant raw materials.

Under Secretary for Export Administration Paul Freedenberg of the U.S. Department of Commerce, said that these revisions showed the determination of the United States and its COCOM allies to continuously improve their relations with the PRC and showed their willingness to support China in promoting its industries for civil use. According to statistics, the volume of the U.S.-Sino bilateral trade in 1988 was about \$14 billion.

#### **Latest Sino-U.S. Trade Figures Released** *HK0303122389 Beijing CEI Database in English 3 Mar 89*

[Text] Beijing (CEI)—The Sino-U.S. trade volume jumped from 990 million U.S. dollars in 1978—the year preceding the normalization of diplomatic relations between the two countries—to 10 billion dollars in 1988, according to the latest figures released by the Chinese customs.

The figures show that China's exports to the United States account only for 0.7 percent of U.S. imports, while China's imports from the United States make up only 1.9 percent of total U.S. exports.

As Chinese Vice-Premier Tian Jiyun has noted: "The achievements are still far from reaching the level commensurate with the potential of both sides. China will make efforts to adjust its export mix and improve its quality, so as to meet American market requirements."

Meanwhile, he said, China hopes that the United States will adopt an even more positive attitude, and undertake effective policy measures in terms of import quotas, technology transfers, and other areas, in order to increase its import of Chinese goods and its transfer of advanced technology to China.

Wang Pingqiang, China's vice-minister of foreign economic relations and trade, noted that protectionism of the United States is the main factor hindering the further growth of trade between the two countries.

Also, Wang said, the two countries have not yet signed an investment protection agreement.

American investment in China has topped that of all other countries, with 630 Sino-U.S. joint venture projects involving a total contract value of 3.4 billion dollars, Wang said.

However, U.S. investment in China still only makes up one percent of total U.S. overseas investment.

Wang added that more and more people have come to realize that both sides will benefit from expanding economic and trade relations.

#### **U.S. Group May Underwrite PRC Firms** *OW0203132289 Beijing XINHUA in English 0759 GMT 2 Mar 89*

[Text] New York, March 1 (XINHUA)—The China Relations Board and Chinese Ministries are making joint efforts in exploring the potentials for public underwritings of Chinese firms within the U.S. financial markets.

Lory Roston, chairman of the New York-Based board, said his board and Chinese ministries are mutually examining avenues whereby selected Chinese enterprises might be positioned for initial public offerings within the United States.

The board, a division of Lory Roston Associates, specializes in financial, trade and city-to-city "bridging programs" between the U.S. and China.

It is also involved in arranging trade relationships between Chinese and U.S. companies, as well as in establishing sister-city programs linking cities in the two nations.

## Soviet Union

### Trade Protocol Signed With USSR 3 March *OW0303153889 Beijing XINHUA in English 1506 GMT 3 Mar 89*

[Text] Moscow, March 3 (XINHUA)—China and the Soviet Union signed a commodity exchange and payment protocol for 1989 here today expected to increase trade volume between the two countries by 17 percent over last year.

Under the trade protocol, totalling 4.8 billion Swiss francs (about 3.1 billion dollars), China will sell to the Soviet Union tungsten ore, soybeans, corn, meat, meat by-products, fruit, knitwear, thermos flasks, handicrafts ad machinery.

The Soviet side will provide China with steel products, non-ferrous metal, wood, fertilizer, generators, electric locomotives, cars, airplanes and refrigerators.

The protocol was signed by Wang Pingtao, Chinese vice minister of economy and trade, and Yevgeniy Osadchuk, Soviet vice minister of foreign trade.

### Heihe Called 'Ideal' Port for Sino-Soviet Trade *HK0303062089 Beijing ZHONGGUO XINWEN SHE in Chinese 1017 GMT 2 Mar 89*

[Report: "Heihe Will Become Ideal Port for Sino-Soviet Trade"]

[Text] Heihe, 2 Mar (ZHONGGUO XINWEN SHE)—China's experts on the Soviet Union predict that the City of Heihe, a port city in North China, will soon become a "continental bridge" linking China with the Soviet Union and even linking China with Asia and Europe.

Recently, a 4-day "National Symposium on Economic Relations and Trade with the Soviet Union" has been held in Heihe City. Experts specializing in the East European economy and the Soviet Siberian economy came to Heihe City from all parts of China and made an on-the-spot investigation on the border trade between Heihe City and the Soviet city of Blagoveshchensk and on the construction of Heihe Port.

Chinese experts predict that the upcoming Sino-Soviet summit meeting will bring about an overall normalization of Sino-Soviet relations, which will in turn give a powerful impetus to the development of Sino-Soviet economic relations and trade. The Chinese experts expect that there will be a major breakthrough in Sino-Soviet economic relations and trade within this year. Apart from the bilateral barter trade, China and the Soviet Union are also expected to make substantial headway in the Sino-Soviet cooperative productions,

technological transfer, joint operations, cooperative operations, "three forms of import processing and compensation trade," export of labor services, contracting of projects, and so on.

Chinese experts said that a Northeast Asia Economic Cycle consisting of Northeast China, Soviet Siberia, Japan, and Korea is gradually taking shape. As a "continental bridge" linking Asia with Europe, Heihe City with its superior geographical location is bound to play an increasingly important role in the foreseeable future.

### RENMIN RIBAO Views Soviet Reform *HK0303054789 Beijing RENMIN RIBAO in Chinese 28 Feb 89 p 3*

[Article by XINHUA reporter Sheng Shiliang (4141 0013 5328): "Major Results of Soviet Economic Reform During Past 3 Years"]

[Text] The Soviet economic reform is 3 years old if dated from the 27th CPSU National Congress which called for an overall reform in all sectors of Soviet society. As far as the economic reform of a big country like the Soviet Union is concerned, 3 years cannot be considered a long time span. However, as the first stage of economic reform, during this 3-year period reforms in such areas as operation mechanisms, economic management, production relations, and economic structure have still produced remarkable results.

During the past 3 years the Soviet Union has freed itself from the leftist trammels to a certain extent as far as economic thinking goes. Economic phenomena, like market mechanisms, noncentralization of the economy, multi-sector economy, absorption of foreign capital, bankruptcy for money-losing enterprises, labor force competition mechanisms, and stocks, which in the past were viewed as characteristics of the capitalist economy, have been gradually accepted by the Soviets.

One major measure taken in economic reform has been to give economic units decisionmaking power in operation. The "State-Owned Enterprise Law," the "Cooperative Law," and the "Individual Labor Law" serve as the legal bases for this move. In material supply, the unified allocation of materials has been replaced by wholesale trading and, therefore, enterprises will have greater room for maneuver in using their enthusiasm for operation and developing a commodity economy.

Economic units are now pursuing full business accounting which is another major change in the Soviet economic reform. The measure is aimed at thoroughly solving the outstanding problems of enterprises eating from the state's big pot for lengthy periods and of not making a distinction between those who do a good job and those who do a poor one. At the same time, in the internal departments of enterprises, with the adoption of

contract and leasing forms, the relations between the collectives and the individuals and between working people and the means of production are made closer through readjustments.

The reform of the economic management structure, though not yet completed, has produced initial results. A new overall management proposition has been formulated for the production sector of departmental and local economies and, during its implementation, many ministries and intermediate management organs have been abolished. The staff of ministries and competent departments at the all-union level has been reduced by 40 percent and that of ministries and competent departments at the republic level by 50 percent. The economic functions of central departments like the Soviet State Planning Committee, the State Committee for Material and Technical Supply, the State Committee for Science and Technology, and the Ministry of Finance have been changed.

Take planning work for example. The mandatory tasks have been replaced by such economic regulatory means as fixed quotas and state orders for goods. The relationship between enterprises and the authorities in charge of state revenue has also become one based on fixed quotas. Price reform is being prepared. Reform will be introduced first in the wholesale price sector and then in the retail price sector after a nationwide discussion has been conducted. The Soviet banking system has also undergone reform and the number of banks has been expanded from three to six, of which five are specialized banks. In addition, commercial banks, cooperative banks, investment banks, and banks of other types have developed rapidly in recent times.

A thorough reform of the Soviet economic structure is being carried out. The policy is aimed at improving the people's living standards and producing end products. For several decades the Soviet economy has attached importance to accumulation, heavy industry, means of production, raw and semifinished materials, and the military industry to the neglect of consumption, agriculture, consumer goods, end products, and civilian production. In the last 3 years the proportion of consumption funds in national income has increased from less than three-quarters to four-fifths. As far as the growth rate in output value is concerned, the gap between agriculture and industry has been steadily narrowed. The light industry growth rate which was formerly lower than that of heavy industry is now 230 percent higher than the latter. The growth rate of machinery equipment and other end products is several times higher than that of primary products. Military industrial enterprises have expanded production of civil products.

Overall, the Soviet economic reform has not made as rapid progress as expected. The reasons behind this state of affairs are many-sided: With the residues of timeworn ideas still in their minds many people frown upon such

things as cooperatives, individual labor, and competition; the current tens of thousands of instructions and irrational regulations formulated accumulatively under the management system based on administrative decrees have not yet been completely rescinded; some managerial cadres are worried about loss of privileges, and others who find it difficult to rapidly adapt themselves to the reform because of age and professional concerns, boycott, intentionally or unintentionally, the economic reform; and the expected completion of the current 5-year plan which was worked out under the old structure in the course of transition to a new structure is a hindrance to the rapid functioning of the new structure.

With the old structure being replaced by a new one the Soviet economy needs to undergo several years full of complications before economic reform can display its role to the full.

**PRAVDA Comments on Bush China Trip Cited**  
*OW0203233389 Beijing XINHUA in English*  
*1302 GMT 2 Mar 89*

[Text] Moscow, March 2 (XINHUA)—If the Bush administration can adopt new ideas, not only the prospects of Sino-U.S. relations, but those of all international relations will be brighter, the leading Soviet newspaper PRAVDA said today.

Commenting on U.S. President George Bush's recent visit to China, PRAVDA said that Sino-U.S. relations can be further strengthened on the road of constructive international cooperation.

However, the newspaper noted that the visit was shadowed to some degree by U.S. move during Bush's stay in China, to raise the so-called Tibet problem and to ask for the release of political prisoners.

The paper said that China's diplomacy has become more balanced in handling the relationship between East and West, and noted that Bush's visit to the Far East has revealed some changes in the U.S. Asian policy.

Bush's position on speeding the process of disarmament, his welcoming remarks on improving Sino-Soviet relations and his comment that it is good for Soviet Leader Mikhail Gorbachev to visit China were cited by PRAVDA as such changes.

**Southeast Asia & Pacific**

**Singapore-Mainland Ties Make Taiwan 'Uneasy'**  
*HK0303050289 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1527 GMT 2 Mar 89*

[Roundup by He Shan (4421 1472): "On the Eve of Li Teng-hui's Visit, First Deputy Prime Minister of Singapore Says Singapore Will Eventually Establish Diplomatic Relations With China, Making Taiwan Uneasy"]

[Text] Hong Kong, 2 Mar (ZHONGGUO TONGXUN SHE)—Yesterday, Taiwan and Singapore simultaneously announced that Li Teng-hui will visit Singapore

from 6 to 9 March. At the same time, the media in Singapore also carried detailed contents of an interview with Goh Chok Tong, first deputy prime minister of Singapore, who indicated that Singapore will eventually establish diplomatic relations with the PRC. This made Taiwan rather uneasy.

In an interview with Japan's NIPPON KEIZAI SHIMBUN on 24 February, Goh Chok Tong said that Singapore will eventually establish official diplomatic relations with China and this is beyond all doubt. "The problem is when we should do this. We do not need to act hastily, especially as we have established sincere economic relations with China."

Goh Chok Tong also commented on the restoration of diplomatic relations between Indonesia and China. He said: "The pace of the normalization of relations between these two countries is now faster than people originally expected, and the wind of peace is blowing across the whole globe." He said that this is conducive to the positive development of regional peace and stability.

Taiwan opinion held that Goh Chok Tong's remarks were contradictory to the friendly atmosphere between Singapore and Taiwan that should be created before Li Teng-hui's visit, but Singapore's position was not unexpected. CHINA TIMES published a signed article, saying that almost all countries in this region commented favorably on the announcement of normalizing relations between Indonesia and China, mainly because they held that this would consolidate regional peace and economic-trade relations, and in these circumstances, Taiwan's previous diplomatic requests to these "stauch anti-communist countries" are no longer valid. The article pointed out: Whether Taiwan's proposal for "dual recognition" will be accepted by Singapore as an option for handling its relations with the two sides of the Taiwan Strait will become the most important test of Taiwan's current flexible diplomatic policy.

Taiwan opinion holds that Li Teng-hui's visit to Singapore is of symbolic significance to a strong degree over Taiwan's internal politics. Originally, observers did not expect that Li Teng-hui and Lee Kuan Yew would discuss too many specific agreements, but the normalization of Indonesian-Chinese relations will inevitably bring about a new subject for the discussion between Mr Li and Mr Lee. Currently, Singapore and China are "making eyes at each other," this makes Taiwan feel that "the future situation will be very worrisome."

**Accord Reached on Sino-Indonesian Ties**  
*HK0303021689 Beijing CHINA DAILY in English*  
*3 Mar 89 p 1*

[By staff reporter Guo Zhongshi]

[Text] Foreign Ministry Spokesman Li Zhaoxing said yesterday that China and Indonesia have reached a three-point agreement on the issue of normalization of

relations, including taking further measures to achieve normalization. Representatives of the two countries to the United Nations will hold further consultations on this issue.

"In our view, the normalization of bilateral relations conforms with the interests and aspirations of the peoples of the two countries and will contribute to peace and development in this region," Li said.

Commenting on the remarks by Vietnamese Foreign Minister Nguyen Co Thach that China and Vietnam will normalize relations by the end of this September, the spokesman said no date has been fixed for the next round of consultations between Chinese and Vietnamese vice-foreign ministers on a political settlement of the Kampuchean question.

"The normalization of Sino-Vietnamese relations depends on whether a fair and reasonable political settlement of the Kampuchean question can be achieved at an early date," he said, describing Nguyen Co Thach's remarks as "unfounded."

Li said that the settlement of the Kampuchean question has been delayed again and again, and there has been no substantive change in Vietnam's position. Therefore, he said, there could hardly be a major improvement of Sino-Vietnamese relations.

He said that the United Nations and its Security Council bear responsibility for urging Vietnam to effect a genuine and complete troop-withdrawal from Kampuchea by September 30 at the latest, a time limited announced by Vietnam itself.

**Near East & South Asia**

**Tian Jiyun Leaves for Mideast Tour**  
*OW0303072489 Beijing XINHUA in English*  
*0244 GMT 3 Mar 89*

[Text] Beijing, March 3 (XINHUA)—Chinese Vice Premier Tian Jiyun left here this morning for an official goodwill visit to Iran, Turkey, Iraq, Kuwait and United Arab Emirates at the invitation of the governments of these countries.

Tian is due to hold discussions with leaders of these countries on bilateral relations and economic and trade cooperation.

Luo Gan, secretary general of the State Council, Vice Foreign Minister Qi Huaiyuan and diplomatic envoys from the embassies of the five countries saw the vice premier off at the airport.

3 March 1989

**Palestinian Official Views PRC Role in Mideast**  
**OW0303123989 Beijing XINHUA in English**  
**1543 GMT 2 Mar 89**

[Text] Damascus, March 2 (XINHUA)—A senior Palestinian official stressed here today China's important role in solving the Middle East problems.

Nayif Hawatimah, secretary-general of the Damascus-based "Democratic Front for the Liberation of Palestine" (DFLP) called for joint action between China and the Palestine Liberation Organization (PLO) when he met with Chinese Ambassador to Syria Wang Changyi.

In a statement issued after the meeting, Hawatimah said that the Palestinian uprising in the occupied lands will continue so as to compel the United States and Israel to acknowledge the Palestinian people's legitimate rights to self-determination and national independence and agree to the convention of the proposed international Middle East peace conference.

**Iran's Relations With Eastern Bloc Analyzed**  
**OW0303133989 Beijing XINHUA in English**  
**1645 GMT 2 Mar 89**

[News Analysis: Iran Chooses East Rather than West"—XINHUA headline]

[text] Tehran, March 2 (XINHUA)—Iran's Parliament voted overwhelmingly this week to break diplomatic ties with Britain in a week unless London changes its stance toward the "Rushdie affair."

In sharp contrast with the escalating tensions between Iran and Britain, the relations between Iran and the Soviet Union, once a favorite Iranian whipping boy, have dramatically improved recently.

Soviet Foreign Minister Eduard Shevardnadze arrived here last Saturday. Ayatollah Khomeyni, the Iranian spiritual leader, unprecedently received him. It was the first time that Khomeyni has received the foreign minister of a major power since the revolution that toppled the Shah. Shevardnadze is the highest-ranking Soviet official to visit Iran since the 1979 Islamic Revolution.

Iranian leaders and news media described the Soviet minister's visit as a "historic turning point" in bilateral relations.

The Iran-Soviet relations were strained over some disputes between the two countries in the past years. The Iranian Government in 1982 arrested and executed many members of the Moscow-backed Tudeh Communist Party in Iran.

The Soviet invasion of Iran's neighbor, Afghanistan, and its arms supply to Iraq, Iran's enemy in the 8-year Gulf War, had made Moscow a frequent target of Iranian verbal attacks.

After the ceasefire between Iran and Iraq in August 1988, and the Soviet withdrawal of its armed forces from Afghanistan since the end of last year, the two sides started to improve relations.

At the beginning of 1989, Khomeyni, whose motto has been "No West, no East," sent a message to Soviet leader Mikhail Gorbachev. In the message, he praised Gorbachev's political reform and advised him to study some Islamic theory.

Before long, Iran sent a senior economic delegation to Moscow and signed a series of agreements with the Soviets on petroleum and natural gas projects.

Britain, a major power in the West, was long regarded by Iran as a hostile country. From Iran's point of view, London sided with the United States and was partial to Iraq in the Gulf War.

However, the two countries' ties saw some improvement last June. Following Iran's cooperation in Britain's efforts to rescue its hostages in Lebanon, the two countries restored at the end of last year their diplomatic relations at the charge d'affaires level and established embassies in each other's capital.

The relations between the two states unexpectedly took a turn for the worse after Khomeyni on February 14 pronounced a death sentence on Salman Rushdie, the British author of the novel "The Satanic Verses," which Khomeyni says blasphemous the Islamic religion. His statement was immediately protested by Britain and other Western nations, who condemned Iran for its violation of human rights and freedom of speech.

Several days after Khomeyni's execution order, Britain recalled its diplomats from Tehran and asked Iran's to leave London. Fourteen other Western nations have also withdrawn their top diplomats from Iran.

Khomeyni made it clear in a recent statement that "Iran can do without the West," and would never surrender to economic sanctions of any kind.

Meanwhile, the Soviet foreign minister received a red-carpet welcome in Iran in the context of the gradual worsening of relations between Iran and Western countries. Khomeyni said openly in meeting with Shevardnadze that goodneighborly relations between Iran and the Soviet Union would help confront the "devilish" West. Iranians now seem to be adopting pro-East policies to offset its diplomatic crisis with the West.

According to analysts here, Iran's pro-Soviet policy is aimed at serving as leverage for its bargaining with Western countries, whose influence as economic powers in the world Iran can hardly ignore. In the long term, Iran will and must take what is useful from both West and East.

#### Sudanese Minister Leads Delegation to Beijing

##### Honored at Dinner

OW2002154589 Beijing XINHUA in English  
1249 GMT 20 Feb 89

[Text] Beijing, February 20 (XINHUA)—A Sudanese delegation headed by Mubarak al-Mahdi, minister of internal affairs, was honored at a dinner here tonight given by General Xu Xin, deputy chief of General Staff of the Chinese People's Liberation Army.

The Sudanese arrived here early this morning as guests of the Chinese Ministry of National Defense.

Proposing toasts, Mubarak and Xu Xin praised the fruitful cooperation between China and the Sudan and their armed forces.

They expressed the belief that the delegation's visit would help expand bilateral trade as well as cooperation in economic and military fields.

##### Meets Defense Minister

OW2502140289 Beijing XINHUA in English  
1033 GMT 25 Feb 89

[Text] Beijing, February 25 (XINHUA)—Chinese State Councillor and Minister of National Defence Qin Jiwei met a Sudanese delegation headed by Mubarak al-Mahdi, minister of internal affairs, in the Great Hall of the People here this afternoon.

Qin said that the friendly relations between China and the Sudan and their armies have been developing. The delegation's current visit has further promoted mutual understanding and friendship.

Mubarak al-Mahdi said that the Sudan is willing to expand friendly cooperation with China in various fields.

Present at the meeting was General Xu Xin, deputy chief of General Staff of the Chinese People's Liberation Army.

##### Talks With Tian Jiyun

OW2502181089 Beijing XINHUA in English  
0903 GMT 25 Feb 89

[Text] Beijing, February 25 (XINHUA)—Vice-Premier Tian Jiyun met a Sudanese delegation headed by Mubarak Mahdi, minister of internal affairs, in Zhongnanhai here this morning.

Tian spoke highly of the two countries' good relations and cooperation in international affairs.

Mahdi said that Sudan looks forward to expanding cooperation with China in various fields.

Earlier, the delegation had signed a trade protocol for 1989 between the two governments with the Chinese Ministry of Foreign Economic Relations and Trade.

The guests are scheduled to leave for home later today.

#### Water Expert Delegation Arrives in Bangladesh

OW1802221389 Beijing XINHUA in English  
1648 GMT 18 Feb 89

[Text] Dhaka, February 18 (XINHUA)—A ten-member Chinese team of water experts arrived here today on a three week official visit to attend the first Bangladesh-China experts group talks on flood control beginning tomorrow.

The Chinese team headed by Wang Shouqiang, director of the State Flood Control Headquarters, will study means of reducing the menace of floods in Bangladesh.

The team will have extensive meetings with local officials including the minister for irrigation, water development and flood control.

The Chinese experts are expected to visit some of the flood-hit areas and irrigation and flood control projects in the country.

#### First Chinese Ambassador to Qatar Named

OW2802003589 Beijing XINHUA in English  
1540 GMT 27 Feb 89

[Text] Kuwait, February 27 (XINHUA)—The Chinese ambassador to the United Arab Emirates (UAE) has been transferred to Qatar as the first Chinese ambassador in Doha, it was learnt here today.

Hu Changlin, Chinese ambassador to the UAE, will leave Abu Dhabi for Doha tomorrow to present his credentials and open the Chinese Embassy there, a Chinese diplomat confirmed here today.

China and Qatar declared on July 9 last year their intention to establish diplomatic relations at ambassadorial level.

Hu took up the post as the first Chinese ambassador to the UAE in mid-May 1985 after China and the UAE established diplomatic ties on November 1, 1984.

### Kuwait Economic Relations, Strategy Discussed

**National Day Marked in Beijing**  
*OW2502193589 Beijing XINHUA in English*  
*0814 GMT 25 Feb 89*

[Text] Beijing, February 25 (XINHUA)—Shukri Naser A. Al-Shraim, charge d'affaires ad interim of the Kuwaiti Embassy in Beijing, gave a reception here today to celebrate the 28th anniversary of the national day of Kuwait.

Among those present was Qin Zhongda, Chinese minister of Chemical Industry.

**Kuwaiti Official on Development**  
*OW2502215589 Beijing XINHUA in English*  
*0149 GMT 25 Feb 89*

[“Kuwaiti Development Strategy Outlined (by Xu Chang)”—XINHUA headline]

[Text] Kuwait, February 24 (XINHUA)—Kuwait will concentrate on developing industries that call for great capital input, sophisticated technology and relatively few workers, foreign workers in particular.

This is part of the country's economic development strategy designed to ensure the national security of Kuwait, said Undersecretary of Kuwaiti Ministry of Planning Dr 'Abdallah 'Abd al-Rahman al-'Awadi in an interview with XINHUA on the occasion of the 28th founding anniversary of the State of Kuwait February 25.

In developing its national economy, the official said, Kuwait will give priority to food and pharmaceutical production as well.

Speaking on the need for Kuwait to develop industries using predominantly Kuwaiti workers, Al-'Awadi called attention to the fact that foreign nationals account for 60 percent of the 1.7 million people living in the country.

“This state of affairs compels the government to change the current population structure by developing the country's own human resources,” he said, adding that the percentage of Kuwaiti nationals in the country's total work force is expected to exceed that of foreign workers in early 21st century.

At present, oil and petrochemical industries furnish more than 90 per cent of Kuwait's total national income.

While taking these as its economic prop, in recent years Kuwait has given priority to developing agriculture and processing industries, and has achieved self-sufficiency in flour, macaroni, vegetables and bread, the official said.

Kuwait also plans to increase its cultivated acreage to produce more foods, said Al-'Awadi.

To make Kuwaiti products more competitive on the world market, he continued, the Kuwaiti Government has granted loans on preferential terms to the country's national industries.

The next five-year plan of Kuwait (from fiscal year 1990-91 to fiscal year 94-95) will cost the country 7 billion dinars (about 24.5 billion U.S. dollars), said Al-'Awadi.

On Kuwaiti-Chinese relations, Al-'Awadi said that China is a friend of Kuwait, and both countries underline the importance of their cooperation.

China's open policy will help enhance such cooperation, he added.

**Increased Kuwaiti Investment in China 'Expected'**  
*OW2702183089 Beijing XINHUA in English*  
*1628 GMT 27 Feb 89*

[Text] Kuwait, February 25 (XINHUA)—Kuwait, encouraged by a favorable economic circumstance in East Asia, is expected to increase its investments in China and Southeast Asia.

China's open policy is one of the important factors which help create the encouraging economic circumstance, director general of Kuwait Public Investments Organization, Fahd Muhammad al-Rashid, said in an interview with XINHUA on the occasion of the 28th founding anniversary of the State of Kuwait February 25.

It was reported that Kuwait's total investments in foreign countries have amounted to 80 billion U.S. dollars, including 300 million dollars in China.

The director general also attached importance to a flow of economic information in China to Kuwaiti investors and businessmen to boost economic activities between the two countries.

He considered helpful a Chinese economic information journal, which is expected to be officially issued soon in Kuwait.

**Liaison Department Official Leaves for India**  
*OW0303120789 Beijing XINHUA in English*  
*0743 GMT 3 Mar 89*

[Text] Beijing, March 3 (XINHUA)—Jiang Guanghua, deputy head of the International Liaison Department of the Chinese Communist Party Central Committee, left here today for India to attend the 14th congress of the Indian Communist Party on invitation.

**Tibetan Party Official Meets Nepalese Consul**  
*OW0103191189 Beijing XINHUA in English*  
*1259 GMT 1 Mar 89*

[Text] Lhasa, March 1 (XINHUA)—Hu Jintao, secretary of the Chinese Communist Party Committee of the Tibet Autonomous Region, met here this morning with Rana Bahadur Thapa, Nepalese consul general in Lhasa.

Both discussed ways to promote the border trade between the two countries.

**West Europe**

**Portugal To Abide by Joint Declaration on Macao**  
*OW0303120189 Beijing XINHUA in English*  
*1610 GMT 2 Mar 89*

[Text] Macao, March 2 (XINHUA)—The Portuguese president said here today that Portugal will absolutely abide by all the terms of the Portuguese-Chinese joint declaration on the question of Macao and work for a better life of Macao people.

Speaking at the construction site of an international airport, visiting President Mario Soares said: "This is a sincere message I have brought to Macao people."

He believed all the development projects being or to be taken were meant for the benefit of Macao residents both Chinese and Portuguese.

When visiting the University of East Asia in Macao today, President Soares urged the university to play a greater role in training more competent people to meet the demands of future development.

Rector of the university S.S. Hsueh said his university would promote stability and prosperity and develop human resources in the East Asian region and, especially, would help achieve the objective of Macao being governed by Macao people.

Over the past three days in Macao, President Soares toured construction places, sites of historical interest and visited residential areas.

President Soares and Vice Prime Minister Eurico do Melo will leave Macao tomorrow for Hong Kong.

**Minister Interviewed on Portugal Ties, Macao**  
*PM0203171589 Lisbon DIARIO DE NOTICIAS*  
*in Portuguese 7 Feb 89 p 2*

[Excerpt from interview in Beijing with PRC First Vice Foreign Minister Zhou Nan by Fernando Correia de Oliveira; date not specified; first three paragraphs are editorial introduction]

[Text] In connection with the 10th anniversary of the reestablishment of Sino-Portuguese bilateral relations, PRC First Vice Foreign Minister Zhou Nan granted an interview to LUSA correspondent in Beijing Fernando Correia de Oliveira.

Zhou Nan, now 61 years of age, has always been present throughout this decade of relations between Portugal and China. Presidents and prime ministers in Lisbon and Beijing have changed, as have governors in Macao; the Chinese leader is the only one who remains. As first vice foreign minister in charge of relations with West Europe, he is also responsible for Macao and Hong Kong affairs. Zhou Nan is also the Chinese leader best acquainted with Portugal, its leaders, and its population. A diplomat who comes from Shandong Province, south of Beijing, he began his career in Pakistan and has passed through Tanzania and the United Nations.

In the interview, an excerpt from which is published below, Zhou Nan maintains that the solution found for the Macao issue ended "an obstacle to the development of relations between Lisbon and Beijing."

Question: What is your overall assessment of the state of Sino-Portuguese bilateral relations, 10 years after the reestablishment of diplomatic relations?

Answer: Looking back briefly, we are satisfied. During these 10 years the two countries' highest leaders paid bilateral state visits which greatly contributed to the intensification of relations.

President Li Xiannian visited Portugal in 1984, and President General Eanes visited China in the following year.

Previously, Vice Foreign Minister Zhang Wenjin visited Lisbon in 1980, as did Foreign Minister Huang Hua in 1982.

In 1987, Portuguese Prime Minister Cavaco Silva signed the joint declaration on Macao with Prime Minister Zhao Ziyang in Beijing, and Foreign Minister Joao de Deus Pinheiro's visit to Beijing occurred in July 1988.

These visits by leaders of the two countries greatly accelerated the development of relations between the two peoples. Following friendly and intensive talks, the Beijing and Lisbon Governments succeeded in reaching a comprehensive agreement on a problem which history had bequeathed to us—Macao. It is an agreement which earned the esteem of the Chinese people and of the inhabitants of Macao. Our two countries have set a new and successful example of the peaceful resolution of disputes between states.

The two governments are now striving to implement the bilateral agreement. The satisfactory resolution of the Macao issue opened a new chapter in joint relations. An obstacle had disappeared.

Our governments have held regular consultations on international and bilateral affairs.

We are also developing our relations in the areas of the economy and technology, science, and culture—not only at central government level but also at the local level, between municipalities and cities in the two countries.

Last year, the two Chinese cities of Zhuhai and Qindao agreed to be twinned with Setubal and Oporto, respectively.

I personally believe that the development of relations between China and Portugal over the past 10 years greatly exceeded what had been achieved over centuries. I am confident about the future of our bilateral relations.

I believe that many of my Portuguese friends also believe this.

Question: Economic cooperation between the two countries—especially in the area of investments—has been limited. Nevertheless, there are some isolated instances of Portuguese investments in the PRC which have already been made or are about to begin. I have no knowledge of Chinese investments in Portugal.

In view of the economic readjustment underway in China, what is the foreseeable future for economic cooperation—reduction, expansion, or a freeze?

Answer: As you know, China began its economic reform and its opening to the outside world 10 years ago (as many years ago as the diplomatic relations which we are now commemorating). The overall development of the economy during this period has been considerable.

For instance, GDP has doubled. Foreign investment, which was virtually nonexistent up to that time, has not stopped growing.

Between 1979 and 1988, China approved foreign investment contracts worth around \$73 billion. The temporary difficulties which we are experiencing are due to the overheating of the economy.

China is a large country, and a 7-8 percent annual growth in GDP is a great deal.

But last year the Chinese economy grew by 17-18 percent, and that is too much for us.

You in West Europe consider growth of even 3-4 percent very good... The overheating of our economy led to the emergence of phenomena such as the rift between supply and demand, the uncontrolled increase in consumption, and the consequent inflation.

Starting from this situation, the slogan "remedy the economic situation—readjust the economic order" was launched.

Our aim is to end the phenomenon of overheating. Growth must be effected at reasonable rates for the Chinese people.

The many foreign friends who visit us tell us that the whole of China seems like a huge, permanent construction site.

That seems to be a good sign, but it also indicates a problem.

In 2 or 3 years we will succeed in rectifying the economy and readjusting growth. We will continue to make progress, but at a more reasonable rate. But there will be no steps backward.

We will remain open to economic cooperation with the outside world. We wish to attract more foreign investment, and this includes Portugal, of course.

Some 2 years ago I visited a footwear factory in Portugal. In your country a hide can be split into four layers, but factories in our country can split it into only two layers.

Here is a practical example of how Portugal can help China by supplying technology and setting up joint ventures in the small and medium industrial enterprise sector, with not very sophisticated know-how.

(One of the interpreters present laughed, and Zhou Nan asked her why. Then he, too, laughed. The other interpreter explained: She was at that moment wearing shoes made in Portugal...)

Trade between our two countries was insignificant 10 years ago, but we have now reached significant levels.

In 1987, trade between the two countries totaled over \$47 million. Last year, trade exceeded \$50 million in the first 10 months alone. Portuguese investment is welcome.

There are already specific instances in Zhuhai (near Macao and Hong Kong), and the enterprises set up have been successful.

The businessmen, mostly from Hong Kong, are no longer satisfied with the hundreds of enterprises which have in the meantime been set up in the Pearl River delta. They now intend to take economic cooperation further inland. I suggest to you that you invest your money there...; it is an area with a future.

Question: We are currently seeing the exodus of skilled personnel from Hong Kong, in anticipation of the transfer of power in 1997. Almost half the territory's professionals and executives intend to leave or have already acquired the right of domicile abroad. In Macao, although the situation is different, a similar atmosphere

of desertion by the most specialized Portuguese, Macanese, or Chinese skilled personnel before 1999 is in prospect. What is your comment?

Answer: It is true that there is this exodus phenomenon, but we should not be surprised. Whenever situations of change and turnabout arise, there is always a number of people living in the areas concerned who cannot clearly perceive the thrust of the development.

Those people still have doubts about the implementation of the joint declarations signed by China with the British and Portuguese Governments. It is a matter of the full implementation of what was agreed.

We have already said this, but we will repeat it again: The two territories' social systems will not change after 1997 in the case of Hong Kong and 1999 in the case of Macao.

My comrade, Deng Xiaoping, recently said that perhaps even after the 50 years guaranteed in the agreements there will be no need to change those territories' social systems. Moreover, we are attempting to set up little Hong Kongs on the mainland.

If any society is changing, it is ours...

In addition, we are convinced of the Portuguese Government's sincerity in implementing the whole of the joint declaration on Macao. The territory's stability depends on that, too.

Those who have already left Hong Kong and Macao should return, since they would have better living conditions there than in the countries to which they are going.

The Chinese Government will do its utmost in the transitional period to cooperate with the Portuguese Government and the Macao Administration in order to enable Chinese, Macanese, and Portuguese citizens and those of other nationalities to perform their duties and to realize their ability to contribute to the territory's stability and social development.

The two governments should refrain from doing anything that would work against that stability and development.

Question: In view of the recently opened communication routes between Macao and Taiwan and the increasing flow of tourism between the two territories, how does Beijing view Macao's role in the rapprochement with Taiwan, within the context of the policy of reunifying the country?

Answer: In 1988, over 400,000 Taiwanese visited the mainland. Most of them arrived via Hong Kong and Macao. In this way, Macao could act as an interchange on the Formosa Strait.

Historically, Hong Kong and Macao have maintained close relations with Taiwan, particularly in the economic field. All contributions to improving the course of reunification are welcome.

What has been agreed for Macao and Hong Kong—"One country with two systems"—and the way in which that process takes place will also greatly help to influence the outlook of Taiwan's current citizens.

Question: When sovereignty over Macao has been transferred in 1999, will there be a change in the importance of Sino-Portuguese relations? Will they lose importance in Beijing's eyes?

Answer: After 1999—I am personally convinced of this—bilateral relations between our two countries will be intensified.

Thereafter they will be much better than now—not the reverse. The peaceful resolution of the Macao issue ended a problem, an obstacle to the development of relations between Lisbon and Beijing.

Throughout the transitional period the two governments should fully implement what is stipulated in the joint declaration, in order to ensure the best possible conditions for the transfer of power in 1999.

They will thus lay the best foundations for future relations.

I can assure our Portuguese friends that China will never lack the sincerity to implement fully the agreement on Macao. I also believe that the Portuguese Government will have the sincerity to implement the agreement.

**Turkish Under Secretary To Visit 5-7 Mar**  
*OW0103201489 Beijing XINHUA in English*  
*0750 GMT 1 Mar 89*

[Text] Beijing, March 1 (XINHUA)—Nusret Kandemir, under secretary of Turkey's Ministry of Foreign Affairs, will visit China from March 5 to 7 as guest of Chinese Vice-Foreign Minister Qi Huaiyuan.

During the visit, Nusret Kandemir and his Chinese counterpart are expected to hold political consultations on bilateral relations and international issues of common concern, XINHUA has learned.

### East Europe

**GDR Deputy Foreign Minister Harry Ott Visits**

**Talks With Qian Qichen**  
*LD0203184389 East Berlin ADN International Service in German 1304 GMT 2 Mar 89*

[Text] Beijing (ADN)—Chinese Foreign Minister Qian Qichen and GDR Deputy Foreign Minister Harry Ott have confirmed their countries' determination to foster

the process of improving international life and achieving further progress on disarmament. The two politicians met in Beijing today. They welcomed the swing toward detente in international relations.

In the context of the forthcoming 50th anniversary of the unleashing of World War II in Europe, they opposed all manifestations of militarism, racism, fascism and neo-Nazism. They stressed the relevance of the historical lesson that only peace, and never again war, should be allowed to spring from German soil. Special attention was paid during the talks, to the GDR's initiatives for peace, security, and stability in central Europe.

During the exchange of opinions and experiences, the high level of relations between the two socialist countries was acknowledged. Cooperation has developed dynamically in all areas of social life.

**Meets Other Officials**  
*OW0303083989 Beijing XINHUA in English  
1537 GMT 2 Mar 89*

[Text] Beijing, March 2 (XINHUA)—Chinese Foreign Minister Qian Qichen met here today with Harry Ott, vice-foreign minister of the German Democratic Republic (GDR).

Arriving here February 24, Ott had held talks with Tian Zengpei, Chinese vice-foreign minister, and met other senior officials including Qin Zhongda, minister of chemical industry and chairman of the Chinese side of the China-GDR Committee for Economic, Trade, Scientific and Technological Cooperation.

Ott and his party are scheduled to leave here for the Democratic People's Republic of Korea tomorrow.

**Cultural, Educational Pact Signed With SFRY**  
*OW0103090989 Beijing XINHUA Domestic Service  
in Chinese 1222 GMT 27 Feb 89*

["Local Broadcast News Service"]

[Text] Beijing, 27 Feb (XINHUA)—The Execution Plan for China-Yugoslavia Educational and Cultural Cooperation in 1989 and 1990 was officially signed in Belgrade on 24 February. According to the plan, the two countries will exchange students and delegations, sponsor cultural and art exhibitions, and send art groups and experts to perform or take part in academic discussion in each other's countries in 1989 and 1990.

**Bulgarian Ambassador Donchev Visits Hohhot**  
*SK2302064889 Hohhot NEIMENGGU RIBAO  
in Chinese 28 Jan 89 p 1*

[Text] Doncho Georgiev Donchev, Bulgarian ambassador extraordinary and plenipotentiary, with an entourage of 2 people arrived in Hohhot City on 26 January.

On the afternoon of 27 January, Wang Qun, secretary of the regional party committee; Bu He, chairman of the regional government; and Pei Yingwu, vice chairman of the regional government, met with Ambassador Donchev. Present at the meeting were responsible persons of the regional economic and trade department and the regional foreign affairs office.

Ambassador Donchev exchanged views with responsible persons of the regional departments concerned on the issues concerning economic and technological cooperation and trade contracts in Hohhot.

**CSSR Consulate General Opens in Shanghai**  
*OW2102122689 Beijing XINHUA in English  
1038 GMT 21 Feb 89*

[Text] Shanghai, February 21 (XINHUA)—A Consulate General of the Czechoslovak Socialist Republic opened here today in accordance with an agreement between the Chinese and Czechoslovak Governments.

Czechoslovak Ambassador to China Eduard Saul officiated the opening ceremony, at which he and Vice-Mayor of Shanghai Liu Zhenyan spoke, wishing that the relations of friendly cooperation between the two countries would further grow.

**Latin America & Caribbean**

**Qiao Shi Meets Brazilian CP Delegation**  
*OW2002190589 Beijing XINHUA in English  
1246 GMT 20 Feb 89*

[Text] Beijing, February 20 (XINHUA)—Qiao Shi, Standing Committee member of the Political Bureau of the Chinese Communist Party (CPC) Central Committee, met with chairman of the Central Committee of the Brazilian Communist Party, Salomao Malina, and his party here this evening.

As CPC's guests, the Brazilian visitors arrived here February 17 to exchange views with their Chinese counterparts on party relations and international issues and acquaint themselves with China's reforms and open policy.

**NPC Hosts Dinner for Guatemalan Visitors**  
*OW2702061589 Beijing XINHUA in English  
1309 GMT 25 Feb 89*

[Text] Beijing, February 25 (XINHUA)—Lei Jieqiong, vice-chairwoman of the Chinese National People's Congress (NPC) Standing Committee, met and gave a dinner

for a delegation from the National Congress of Guatemala (NCG) led by Roberto Alejos Cambara, chairman of the NCG Special Commission, at the Great Hall of the People here this evening. The fact that China and Guatemala have no diplomatic relations, Lei said, will not affect the contacts between the two countries' parliaments.

Both sides expressed the wish to increase contacts and mutual understanding in the future.

The delegation arrived here Friday for a goodwill visit at the invitation of the NPC Standing Committee. It is scheduled to visit Shanghai, Guangzhou and Zhuhai Special Economic Zone before leaving China March 3.

**Attache Hosts Reception Marking Mexican Army Day**  
*DW1702133589 Beijing XINHUA in English*  
*1316 GMT 17 Feb 89*

[Text] Beijing, February 17 (XINHUA)—Brigadier General Ricardo Solares, military and air attache of the Mexican Embassy in Beijing, and his wife gave a reception here this evening to mark the 76th anniversary of the founding of the Mexican Army.

Present on the occasion were General Xu Xin, deputy chief of general staff of the Chinese People's Liberation Army (PLA); high-ranking PLA officers; leading members of the Chinese Ministry of Foreign Affairs and Ministry of National Defence; and military attaches of a number of foreign embassies here in Beijing.

Brigadier General Solares, who came here last November, said at the reception that he was happy to take up his present post. He said that he would work hard to promote the Sino-Mexican friendship, the friendship between the armed forces of the two countries in particular.

Political & Social

**Article Views 'Old Men' Attacks on Zhao**  
HK0303075189 Hong Kong CHENG MING in Chinese  
No 137, 1 Mar pp 6-9

[*"Notes on the Northern Journey"* by Lo Ping (5012 0393); "Three Attacks Aimed at Overthrowing Zhao"]

[Text] Shortly after the emergence of "Chen Yun's Eight Opinions" directed against Zhao Ziyang, Bo Yibo wrote a letter to Deng Xiaoping launching a second attack. Recently, a group of intellectuals submitted a joint letter to the authorities urging the release of political prisoners like Wei Jingsheng and others. This gave the old-man party an excuse for overthrowing Zhao. This reminds people of the success of the old men 2 years ago in *ousting* Hu Yaobang from office by using the opportunity of student unrest and opposing "liberalization."

The year 1989 should be a peaceful year in the world but it absolutely will not be a peaceful year inside the CPC.

According to news from Zhongnanhai, a group of political old men are launching a "spring attack" on Zhao Ziyang. Zhao, who is at a disadvantage, might be...

**"Overthrowing Zhao" Duet by Chen Yun and Bo Yibo**

Some people say that this New Year's Day Zhao Ziyang found things very difficult and was in a very bad mood. First of all, the horrible "Chen Yun's Eight Opinions" were concocted and second, Bo Yibo, a political old man who has been promoted to vice chairman of the Central Advisory Commission of the CPC Central Committee due to his success in "ousting Hu from office" 2 and ½ years ago, "submitted a letter" to Deng Xiaoping. These two matters might echo and coordinate with each other and become an "overthrowing Zhao" duet.

Three of "Chen Yun's Eight Opinions" accuse Zhao Ziyang of completely abandoning the socialist economy on the mainland, namely the "planned economy," in the name of reform. This means that Zhao Ziyang is pursuing "capitalist commodity economy" and that he has deviated from the major direction of socialism. Chen also accused Zhao of "turning Chinese agriculture into a mess and ignoring the life and death of the 800 million peasants." Regarding current ideology Chen Yun stressed: "The entire ideological front is occupied by the bourgeoisie and nothing proletarian is left." He also pointed out: "A regime can be subverted because of the failure of doing public opinion, ideological, and theoretical work properly." Therefore, he emphasized that we must be strongly determined to "recover the lost ideological front."

**Bo Yibo Wrote a Letter to Deng Xiaoping Lodging a Complaint Against Zhao**

The abovementioned opinions of Chen Yun completely negate Deng Xiaoping and Zhao Ziyang's line. Some people say that it is actually a call condemning Deng Xiaoping and Zhao Ziyang.

If we say that the emergence of "Chen Yun's Eight Opinions" is the first attack launched by the old men on Zhao Ziyang, Bo Yibo's letter to Deng Xiaoping lodging a complaint is the second attack.

Bo Yibo launched his attack by making use of the following "incidents": Su Shaozhi's speech at the theoretical discussion meeting marking the 10th anniversary of the 3d Plenary Session of the 11th CPC Central Committee criticizing the "eliminate spiritual pollution" and "oppose bourgeois liberalization" campaign launched from Zhongnanhai and wanting the verdict on Wang Ruoshui reversed; Shanghai's SHIJIE JINGJI DAOBAO used one and a half pages to publish the speech. Bo Yibo said that this was an "attack on the party central committee" by mainland intellectuals. He also mentioned recent speeches and articles by Yan Jiaqi, Ge Yang, and Yu Haocheng. After that, he came to the conclusion that it was necessary to "criticize those elements who oppose the party, Marxism, and Mao Zedong thought." According to Bo Yibo's proposals, measures must first of all be taken to punish the editor-in-chief of SHIJIE JINGJI DAOBAO, Qin Benli, and to suspend publication of this newspaper which "discards the classics and rebels against orthodoxy." This political old man also cannot tolerate Yu Haocheng's article on the issue of human rights entitled "Defending Human Rights Is a Just Cause Marking the Progress of Mankind" published in SHIJIE ZHISHI No 23, 1988. The sub-title of the article is: "Written To Mark the 40th Anniversary of the Publication of the United Nations 'Declaration on Human Rights.'" Bo Yibo seized on the incident to exaggerate the seriousness of the matter, saying that the article and Professor Fang Lizhi's letter written to Deng Xiaoping urging a special pardon for Wei Jingsheng echoed each other, and that the case should be "handled" seriously.

**At the Critical Moment, Deng Xiaoping Refused To Change His Trusted Subordinate**

Chen Yun and Bo Yibo went into action personally in order to "overthrow Zhao." Besides, they had a "special detachment" comprising Yao Yilin and Li Peng. They repeatedly lodged complaints against Zhao, saying that the general secretary had extended his reach too far and wide in economic affairs and that the general secretary should keep himself within the bounds of his power. This special detachment cooperated closely with Chen and Bo to give an impetus to the "overthrow Zhao" drive.

However, things did not develop as the ultra-conservatives wished and planned. In the face of the attack launched by Chen Yun, Bo Yibo, and others around New Year's Day, Deng Xiaoping discovered that this was undoubtedly another action to "force Zhao to abdicate" by inventing an excuse to compel Deng to change his trusted subordinate. It seems that Deng realized his unwise move in ousting Hu Yaobang from office 2 years ago. He definitely did not want to "cut off his other arm." Deng Xiaoping originally planned to strike back at Fang Lizhi and Yu Haocheng. However, after rethinking this matter soberly he understood that under the current delicate situation he must avoid falling into a trap. At this critical moment the revered Mr Deng soberly endorsed Zhao Ziyang's opinions on handling "Chen Yun's Eight opinions" and the letter of complaint written by Bo Yibo.

#### **Zhao Ziyang Withstood the Pincer Attack by Chen Yun and Bo Yibo**

Regarding "Chen Yun's Eight Opinions," Zhao Ziyang suggested it should not be "transmitted throughout the country." A similar decision was later made by the central authorities. With regard to Bo Yibo's letter of complaint Zhao Ziyang said: "Intellectuals have their own understanding of problems. What is there to be surprised at?" He added: "Just ignore it (Su Shaozhi's speech) and there is no need for us to handle the case." This means that the leaders should adopt a lenient attitude toward intellectuals who hold unique views. They should refrain from flying into a rage, let alone coming down with the big stick upon divergent views. Bo Yibo and his collaborators in the central secretariat originally intended to expel Su Shaozhi from the party. However, after Zhao Ziyang had replied to Bo Yibo's views Su Shaozhi retained his party membership.

In recent years the revered Mr Deng has been most disgusted by the phrase "human rights." However, after considering the overall situation and weighing the advantages and disadvantages of handling the case he gave Yu Haocheng, a jurist, a way out, and no longer insisted on investigating his case.

#### **Deng Xiaoping and Zhao Ziyang Stress: Do Not Take the Road Back**

What is more noticeable is that Deng Xiaoping keeps a look out for and is worried about "taking the road back."

On 17 January (or 20 January according to another report) Deng Xiaoping delivered an important speech to a restricted audience to the effect that "we have made great achievements during reform over the past 10 years but we have also encountered numerous difficulties. At present, we should not fear inflation or price hikes. We should not fear panic buying or unhealthy trends. We should not only persist in the policy of reform and opening up but also greatly promote it. There is currently a trend toward taking

the road back. This is definitely not allowed!" His speech strongly backed Zhao Ziyang so that the general secretary has a "symbol of high authority."

At a meeting of the Political Bureau and Secretariat of the CPC Central Committee, Zhao Ziyang boldly talked about the issue of preventing the two erroneous trends. He said: "At present, there are two erroneous trends. First, faced with difficulties some people intend to take the road back. Second, seizing the opportunity of the current serious situation some others preach the parliamentary politics of the West and multi-party or two-party systems. The first trend is leftist whereas the basis of the second is rightist." To put it bluntly, those wishing to take the road back are those who have gained vested interests, like leftists, high-ranking officials, and so on. Those who advocate the multi-party system and parliamentary politics are intellectuals and common people who have lost confidence in the CPC. Some people who heard Zhao Ziyang's relayed report said: When the CPC finds itself in a predicament facing crises everywhere, is there any way which can help it change the situation except pluralistic politics aimed at uniting the 1 billion people?

#### **Is the Situation Favorable or Unfavorable to Zhao?**

The current economic situation on the mainland is favorable to Zhao in spite of the fact that Chen Yun, Yao Yilin, and Li Peng's line has a profound basis and vigorous roots. Not long ago, because economic decline, stagnation, and fluctuation in production occurred throughout the country, common people began to weigh the advantages and disadvantages of restoring planned economy to a considerable extent and persisting in commodity economy. They thought fondly of the "over-heated economic development" which was criticized recently. In addition, when General Secretary Zhao was besieged on all sides Deng Xiaoping resolutely supported him and revealed that he would not "change this trusted subordinate" arbitrarily. The situation is therefore favorable to Zhao.

March will probably be the month during the first half of the year in which the greatest number of meetings will be held. A plenary session of the CPC Central Committee or a central work meeting will be held in mid-March. It will be followed by the NPC session, CPPCC session, a national conference on education, a national conference on united front work, and so on. All these meetings are very important to Zhao Ziyang's power and position. The diehards might seize on Zhao's braid—the problem of feeding the people. At present it seems that nothing can be done to further promote rural reform (if the cooperative system is pursued again this will lead to disastrous results). In the past the emphasis in numerous reports and propaganda was focused on Sichuan and Anhui Provinces which were respectively governed by Zhao Ziyang and Wan Li. As the problems in the rural areas are particularly serious this gives the diehards an opportunity to launch their attack. It was reported that Chen Yun had ordered the relevant state departments to

form a group to investigate practical problems in the rural areas. Therefore, the road Zhao Ziyang must traverse is by no means smooth.

#### **A Major Test To Be Passed—the Upcoming Plenary Session of the CPC Central Committee**

Of course, the NPC and CPPCC National Committee sessions have a more important bearing on Li Peng. At the meetings, some critical people's deputies (or CPPCC members) might deliver speeches addressing inquiries to Li. Some non-party personages might also discuss government affairs and some of them might be like Qian Jiaju who dares to criticize the evils of the times. At that time Li Peng might have a taste of criticism from the non-party personages.

However, as far as Zhao Ziyang is concerned the most important test he must pass is the fourth plenary session or central work meeting. However, from the meeting's agenda we know that it is mainly aimed at solving educational problems. Of course, the issue of nationwide "education in current affairs" will also be discussed, namely, propaganda on the "achievements made over the past 10 years." The meeting will also touch upon agricultural production, which is not progressing well, and the new historical stage confronting united front work. Decisions might be made on these issues in order to provide a guide for the subsequent meetings of the NPC and CPPCC National Committee. If Zhao Ziyang can successfully pass the major test of the fourth plenary session, or central work meeting, and defeat the diehards, it is believed that he might reiterate the "big international circle" and "plan for coastal economic development" strategies, and restore the measures "delegating power to the lower level."

#### **Zhao Ziyang's Brain Trust Has Become Active Again**

When Zhao Ziyang makes slight progress in his counterattack on the diehards during the spring his brain trust becomes active again. It has always been reported that Zhao Ziyang supports SHIJIE JINGJI DAOBAO, whereas the diehards hate it very much. Of late, the newspaper has repeatedly urged the people "not to take the road back!" It took over the slogan from Deng and Zhao. On 23 January this newspaper, which is of a very high professional level, published on the front page speeches by members of Zhao's brain trust: Chen Yizi, director of the Institute for Restructuring the Economy; Wang Xiaoqiang and Li Jun, deputy directors of the institute; and others. They said that great achievements have been made over the past 10 years in the reform and that no serious mistakes were made with regard to the direction and strategy of the reform. They pointed out: "If we say that we have made great achievements in the reform over the past 10 years and that we have made serious mistakes with regard to the direction and strategy of the reform, that view is logically contradictory. Using our current views on certain issues to negate the reform over the past 10 years is as groundless as an adult completely negating things he did when he was a

child. The occurrence of these new difficult problems has precisely revealed the defects of the traditional systems. This will help us understand reform more profoundly, so that we can set a higher demand on promotion of the reform." This is the voice of the members of the brain trust and also that of Zhao Ziyang himself. There is no mistaking what the remarks are aimed at. We can discern from them the disputes and new developments in the power struggle among the highest leadership stratum of the CPC.

#### **"New Authoritarianism" Emerges As the Times Require**

Wu Jiaxiang, a middle-aged theoretician, published an article in HUAREN SHIJIE [CHINESE WORLD] No 1 of this year advocating the "development of new authoritarianism" to solve the problems caused by multipolar politics and the chaotic situation. At present, who can become the "new authority?" The revered Mr Deng is too old. Chen Yun is old and can only sing the old leftist tune. Obviously, it is only General Secretary Zhao Ziyang who can become the new authority. Zhao has made well-conceived arrangements in this regard. On the upper level he is supported by Deng, chairman of the Military Commission, and on the lower level he is supported by scholars and intellectuals. It seems that he can stage a comeback and retrieve himself from an inferior position.

Intellectuals in Beijing are disgusted with the slogan of establishing a certain leader's authority in a "large and particular way." If the "new authority" does not keep himself within the bounds of his power, or is not put under the supervision of the people, the unfortunate history of the past will definitely repeat itself. Many people are not satisfied with the indiscreet criticisms of those Marxist old men. But they do not place too great hopes, or expect too much, of Zhao Ziyang's openness. Even if the "era of Zhao Ziyang" has come they will still adopt a "wait-and-see attitude" toward it.

#### **"The Rebellion of the Scholars" and the Third Attack Aimed at "Overthrowing Zhao"**

It is not easy for the occurrence of such an era and it will probably never happen.

Over the past few days various kinds of stories have been pouring out. Bei Dao, a famous obscure poet during the "Beijing Spring" period who published the magazine JINTIAN [TODAY], suddenly jumped off his small world of nihilism to cooperate with Chen Jun, an activist in the democratic movement, to launch a signature drive urging the CPC to release Wei Jingsheng. More than 30 noted writers and scholars jointly signed their names to the letter. Xiao Qian, a party-member writer who was previously regarded as a writer of the first loyalty (di yi zhong cheng 4574 0001 1813 6134), was among them. This was the first story to spread in Beijing. The second was that the masters and lords in Zhongnanhai were surprised and angry about this matter, in particular Bo

Yibo and his collaborators. They said that this was another "attack on the party" which was much more "furious" than the previous ones. They believed that the fire might spread far and wide, and that this matter must not be treated lightly. The third story was that Zhao Ziyang was severely criticized at an urgent meeting of the Political Bureau but this cannot be confirmed for the time being. According to well-informed sources some of the intellectuals urging the release of Wei Jingshen were once protected by Zhao Ziyang.

In the meantime, some CPC leaders believe that the bold activities of "rebellion" and "bourgeois liberalization" by these scholars are connected with Zhao Ziyang's policy of opening up. This is a braid which the old men can seize upon. In any case the third attack by the political old men will be more vigorous than the previous two. This reminds us of the success of Bo Yibo and his collaborators in ousting Hu Yaobang by taking the opportunity of student unrest and "bourgeois liberalization."

Deng Xiaoping's attitude will play a decisive role under the present situation. Analysts in Beijing say that Deng Xiaoping is absolutely dissatisfied with the "rebellion of scholars." They doubt whether he will continue to protect Zhao amid continuous attacks aimed at "overthrowing Zhao." They believe that Deng's strategem is as follows: He might protect Zhao if it is still possible for him to do so. Otherwise, he will give him up. It is believed that the Zhao Ziyang problem will become clear at the fourth plenary session (or even the next Beidaihe meeting).

**Symposium Praises Zhou Enlai's Contributions**  
**HK0303095089 Beijing RENMIN RIBAO in Chinese**  
**3 Mar 89 p 1**

[“Symposium on Zhou Enlai's Diplomatic Thinking and Practice Opens in Beijing”]

[Text] Beijing, 2 Mar—On the eve of the 91st anniversary of Zhou Enlai's birth, a symposium on the diplomatic theory and practice of Zhou Enlai opened today in the Great Hall of the People.

Yang Shangkun, Li Peng, Wu Xueqian, Qin Jiwei, Geng Biao, Ji Pengfei, Huang Zhen, and other leaders joined more than 500 comrades on the diplomatic front and experts and scholars who study international affairs in honoring the memory of Zhou Enlai's outstanding contributions on the diplomatic front.

At the meeting, the congratulatory letters from Li Peng and Li Xiannian were read.

In his congratulatory letter, Li Peng pointed out: Comrade Zhou Enlai was not only a great proletarian revolutionary, but also a great proletarian diplomat. He did a great deal of creative and fruitful work on China's diplomatic front, and won a lofty international status and prestige for our country. It is of great significance to systematically expound and sum up Comrade Zhou

Enlai's diplomatic thinking and practice. Li Peng hoped that all cadres engaged in diplomatic work will take Comrade Zhou Enlai as their example, earnestly learn from his diplomatic thinking and practice, and carry forward this in their own practice concerning the changes and developments in the world situation.

Li Xiannian said in his congratulatory letter that Comrade Zhou Enlai made tremendous historic contributions to the development of mutual understanding and friendship between the Chinese people and other peoples in the world and to the cause of opposing imperialism, safeguarding world peace, and promoting human progress. He left a brilliant chapter in the diplomatic annals of both China and the world, and won high praises from the international community. Comrade Zhou Enlai was not only an outstanding and beloved leader of the Chinese people, but also an outstanding statesman and diplomat acknowledged by the contemporary world.

Foreign Minister Qian Qichen delivered a speech at the opening session of the symposium. He said: Comrade Zhou Enlai was one of the principal leaders of our party and state, and was the most influential diplomat in modern China and in the modern world. Over a long period of 26 years, Comrade Zhou Enlai, as a major policy-maker, commander, and policy-executor, displayed his extraordinary energy, capability, and wisdom and made the greatest and most comprehensive contributions to New China's diplomacy. After the founding of the People's Republic, all major foreign actions were personally directed and arranged by Comrade Zhou Enlai. After recalling the diplomatic practice of Zhou Enlai since the founding of the PRC, he said that Comrade Zhou Enlai's diplomatic practice can be taken as the epitome of New China's diplomatic history. He is worthy of being called father and founder of New China's diplomacy. In the 1980's, under the direct leadership of Comrade Deng Xiaoping, our diplomatic work created a new situation on the foundation laid by Zhou Enlai.

He finally pointed out that under the new situation, we should mainly study Comrade Zhou Enlai's thinking on the issues of independence, peaceful coexistence, and foreign economic relations, and make efforts to promote the establishment of a new international political order and a new international economic order and to create a more favorable international environment for our socialist modernization construction.

Comrades Geng Biao, Ji Pengfei, Xia Yan, Li Qi, and Han Nianlong also made speeches at the meeting. The symposium was held by the Ministry of Foreign Affairs.

**Fang Lizhi Incident Reflects Leaders' Disputes**  
**HK0303054389 Hong Kong SOUTH CHINA**  
**MORNING POST in English 3 Mar 89 p 29**

[By Marlowe Hood: "Why Fang Went Hungry in Beijing"]

[Text] Several days after Beijing police blocked China's most persuasive human rights advocate from attending a banquet hosted by U.S. President George Bush, a nagging question remains.

Why did they do it? Why, having received assurances from the White House that Mr Bush had no intention of seeking out Fang Lizhi from among the 500 invited guests, did Chinese leaders decide on a course of action guaranteed to create an international incident?

Had Mr Fang and his wife attended the banquet, it would have been applauded abroad as a symbol of Chinese tolerance and an example of principled U.S. foreign policy.

A domestic news blackout would have kept most of China's restless intellectuals from even knowing that Mr Fang had been invited. As things turned out, the government's heavy-handed tactics turned what would have been a footnote to the Bush visit into headlines around the world.

Many observers have explained the incident in terms of "face." Chinese leaders are especially sensitive to any infringement—perceived or real—on national integrity, and were not about to tolerate Mr Bush's clumsy meddling in domestic affairs.

True, but irrelevant, say Chinese sources. "The Fang incident has far more to do with domestic politics than Sino-U.S. relations," said a nervous official in the party propaganda department. "Mr Fang's appearance at the banquet could have had serious repercussions."

The whole episode begins to make more sense when placed in the context of factionalism among top leaders.

General Secretary Zhao Ziyang is already taking a lot of heat from his more conservative and politically ambitious colleagues for a host of social and economic problems: inflation is still running at 30 percent, intellectuals are on the verge of open protest, workers and peasants are nursing their own grievances, and corruption has sapped state coffers and morale.

Allowing Mr Fang—the object of intense and prolonged criticism by the party during the 1987 campaign against "bourgeois liberalisation"—into the same room with Premier Li Peng and State President Yang Shangkun would have been an intolerable insult to China's old guard.

Once again Zhao Ziyang could be blamed by some for creating an environment which not only spawned someone like Mr Fang but also permits him to spread his anti-Marxist gospel unchecked.

After the White House issued the invitation and Mr Fang notified the Academy of Sciences that he planned to attend, intense negotiations between Chinese and U.S. officials ensued, according to a U.S. embassy source.

Ambassador Winston Lord apparently discussed the matter with Foreign Ministry officials for several nights running in the week before Mr Bush's arrival.

"Don't forget the circumstances which led to the downfall of Hu Yaobang," said a source privy to discussions among aides to senior Chinese leaders. "Fang Lizhi's appearance at the banquet was sharply debated beforehand and would have strengthened the position of Zhao's political opponents," he said.

This, of course, is precisely what Mr Zhao himself pointed out to President Bush in his remarkable comments, as quoted by New China News Agency. "These people are actually providing an excuse for reversing the reform and stirring up social unrest," the general secretary cautioned.

Chinese leaders do not openly admit that factionalism exists, but Mr Zhao came as close as they ever do. "There are two extreme viewpoints that affect each other. People with one viewpoint complain that the reform has gone on a wrong track and should be reversed," he said. "This comment enjoys no public support."

"People with the other viewpoint blame China's politics for the difficulties that have cropped up in reform, and advocate importing multiparty and parliamentarian politics from the West," he continued, referring to Mr Fang and his increasingly vocal supporters.

It is highly significant that Zhao Ziyang does not emphasise the incorrectness of those advocating rapid political reform, but the impracticality of their ideas.

"Questions of ideology aside," he says, "This viewpoint is unrealistic because it ignores practical conditions in China."

Reading between the lines, it is as if the general secretary is saying—both to China's angry intellectuals and to President Bush—"We can't handle this issue right now. If you push too hard, we are all going to wind up in a mess."

One cannot ignore the fact that Mr Zhao delivered the message, not Li Peng or Yang Shangkun. Strongman Deng Xiaoping usually prefers to stand above the fracas, but this time he made one comment to Mr Bush which was not translated in the official English NCNA text.

"Without a stable political environment," he said according to the PEOPLE'S DAILY, "it will be difficult to achieve results, and the results already achieved may be lost. We hope that our foreign friends understand this point."

One does not have to ascribe any noble political motives to Mr Zhao in making these observations. What seems apparent, however, is that Mr Zhao—with Mr Deng's backing—is in a tough battle for control over the post-Deng political agenda.

While the octogenarian still seems hale and hardy, rumours about his fading capacities are circulating anew. His handshake is not firm and his eyes wander when receiving guests, note Chinese observers.

Whether or not Deng's abilities are diminished, the leaders jockeying for position under him are certainly aware of his approaching 85th birthday.

**CPC Central Committee's 4th Session Postponed**  
*HK0303104489 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0945 GMT 3 Mar 89*

[Report by special correspondent He Fang (0149 2455): "Fourth Plenary Session of the CPC Central Committee Will Be Postponed"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 3 Mar (ZHONGGUO TONGXUN SHE)—This reporter has learned from the relevant quarters that the fourth plenary session of the CPC Central Committee, which was originally scheduled for March before the convocation of the NPC and the CPPCC meetings, will be postponed to an appropriate time after the two meetings.

It is disclosed that the fourth plenary session of the CPC Central Committee will concentrate on studying the issue of educational development on the mainland and discuss and approve the "(Draft) Outlines for China's Education and Reform" (1989-2000), as well as the decision of the CPC Central Committee. A primary cause for the postponement is that, although the meeting's principal document, the "(Draft) Outlines for China's Education and Reform," has been revised seven times, there are still a lot of opinions from various quarters and, therefore, it has to be conscientiously revised. Secondly, several issues put forward in the "Outline," such as the proportions of the state budgetary educational outlay and education tax in the GNP, the proportion of educational outlay in the state's financial budget, the special proposal for raising teachers' wages and improving other conditions, and the feasibility of the figures and other "hardware targets," still have to be scientifically expounded and proved by the State Education Commission, the Ministry of Finance, the State Planning Commission, and other relevant departments. Moreover, the CPC also hopes to hear, before the fourth plenary session, the views of the participants of the two meetings on the draft outline in order to make a scientific decision with which the masses of the people and people in the educational circles are pleased.

**NPC, CPPCC Welcome Foreign Reporters**  
*OW0303013989 Beijing XINHUA Domestic Service in Chinese 1227 GMT 28 Feb 89*

[Text] Beijing, 28 Feb (XINHUA)—The forthcoming second session of the Seventh NPC and second session of the Seventh CPPCC National Committee welcome coverage of the event by reporters from Hong Kong, Macao, Taiwan, and foreign countries.

According to the general office of the NPC Standing Committee and a spokesman of the CPPCC National Committee, foreign reporters who want to cover the event may submit their applications to the Information Department of the Chinese Ministry of Foreign Affairs through Chinese embassies or consulates in foreign countries or the Chinese visa office in Hong Kong. Hong Kong and Macao reporters may submit their applications to the All-China Journalists' Association through the Hong Kong branch of the XINHUA NEWS AGENCY. Taiwan reporters may submit their applications to the All-China Journalists' Association through the Hong Kong branch of the XINHUA NEWS AGENCY or Chinese embassies or consulates in foreign countries. The deadline for filing an application is 10 March 1989.

**Text of Li Peng's Speech at Economic Conference**  
*OW0303011989 Beijing QIUSHI in Chinese No 1, 1 Jan 89 pp 4-9*

[("Earnestly Put the Focus of Construction and Reform on the Improvement of the Economic Environment and the Rectification of Economic Order"—Speech by Li Peng on 5 December 1988 at the National Planning Conference and the National Conference on Reform of the Economic Structure]

[Text] Comrades: The National Planning Conference and the National Conference on Reform of the Economic Structure have been in session for 7 days; both are due to close today. Thanks to efforts by all, these two conferences were successful and the goals of the meetings have been achieved. During the meetings, Comrade Yao Yilin made a report on formulating next year's economic plans. Comrade Zhao Ziyang made an important speech at a forum of responsible comrades of various localities attending the conferences, emphatically pointing out that our major efforts to improve the economic environment and rectify economic order should be applied to readjusting the economic structure. After earnest studies and discussions, everyone has gained a better understanding of the spirit of the 3d Plenary Session of the 13th CPC Central Committee, and put forward many good proposals, enabling us to decide in principle the outline of next year's economic plan and a general program for next year's economic structural reform. Of course, there are still some problems in making next year's economic plans, and some problems still exist in production, investment, financial work, granting credit, foreign trade, and other areas. These problems require further study and coordination after the conferences. All of you, after returning to your respective posts, should pay greater attention to laying down plans for local work or work by your own departments, in accordance with the general plans and reform program decided by these two conferences, to ensure that solid progress in reform and construction will be made in the coming year, and that good results will be achieved in improving the economic environment, rectifying economic order, and intensifying reforms in all spheres. I wish to offer the following opinions in this regard:

**I. Earnestly Put the Focus of Reform and Construction on the Improvement of the Economic Environment and the Rectification of Economic Order To Ensure That Next Year's Price Increase Will Be Considerably Lower Than This Year's.**

Facts in the past 10 years show us that our direction of reform and construction is correct, and the results we achieved in the past 10 years are acknowledged by the entire world. As matters stand, the general economic situation is developing correctly this year. However, many difficulties and problems do exist. The most conspicuous ones are serious inflation and excessive price increases, which have aroused widespread concern by the general public and serious anxiety among the masses. If we do not take effective measures to curb inflation, not only will there be difficulties in further carrying out reforms in various spheres, which will seriously hamper all construction and development, but our achievements in reform during the past 10 years also will be adversely affected. Based on this correct analysis and judgement of the current situation, the 3d Plenary Session of the 13th CPC Central Committee set forth the guiding principle of improving the economic environment, rectifying economic order, and intensifying reform in an all-around way, and decided that reform and construction during the next 2 years should focus on the improvement of the economic environment and the rectification of economic order. We need to properly carry out work in various fields to improve the economic environment and rectify economic order. First of all, we need to ensure that next year's price increase will be considerably lower than this year's. This goal has already been announced to the people throughout the country. Whether we can achieve this goal is a very important question that affects our credibility among the people, and is a rigorous test to see if party committees and government at all levels can bring the economic situation under control. For this reason, all work on next year's reform and construction should be targeted at and should serve this goal. Work that will contribute to achieving this goal should be carried out actively and resolutely, and work that will not help or will hamper our efforts to achieve this goal must be avoided or should be deferred. We have said that we should unify our thinking and actions on the basis of the spirit of the 3d Plenary Session of the 13th CPC Central Committee. This is simply the most important concept during the coming year.

During the past 2 months, various localities and departments have done a great deal of work to implement the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, as well as the regulations and measures laid down by the State Council, and have achieved certain results. Excessive price increases have been slowed; the masses' misgivings about market prices have been eased; savings deposits have gone up again; the scale of credit and loans has been reduced; construction of some office buildings, auditoriums, and guesthouses has been halted or delayed; and enterprise reform is proceeding in depth. However, it should be noted that this progress is still a far cry from the central authorities'

requirements. In October and November, increases in fixed assets investment, wages and bonuses, as well as money supply throughout China still remained high, and overheated economic activities and excessively growing demand still remained unchecked. It is particularly noteworthy that some provinces and municipalities have not only failed earnestly to screen projects under construction, but have also hurriedly started construction of new projects. This is deplorable.

The gap in action reflects the gap in understanding. Some comrades are afraid that slowing down might affect their financial revenues and make the going tough. Some comrades are reluctant to suspend projects they have worked so hard to get started for fear of affecting the momentum of future development; some comrades claim that their conditions are unique, and deny that the economies in their localities are overheated; and still other comrades even leave things to chance by waiting out the storm. All this shows that these comrades have not adequately realized the harm of an overheated economy and inflation, and have underestimated the difficulties we face, as well as the amount of work and time it will take to overcome these difficulties. Hence, their failure to fully understand and implement the policy decision of the 3d Plenary Session of the 13th CPC Central Committee and the measures taken by the State Council to improve the economic environment and rectify economic order. They are wavering and waiting things out. We should realize that inflation is an inevitable result of an overheated economy and the excess of gross demand over gross supply, which have snowballed over the years has become so serious as to endanger the overall interest of reform and development. This problem cannot be solved easily or in a few months' time. To solve this problem, we should make great efforts, pay the necessary price, and work persistently for a fairly long period of time. We should fully understand the importance, urgency, and arduousness of controlling inflation, and further enhance our consciousness and determination in implementing the principles of the 3d Plenary Session of the 13th CPC Central Committee.

**II. At Present It Is Imperative To Concentrate on Curbing the Excessive Gross Demand in Society, While Improving and Increasing the Effective Supply, and To Achieve the Overall Balance of Supply and Demand in Terms of Gross Amount and Structure.**

The fundamental cause of inflation is an overheated economy and the excess of gross demand over gross supply in society. To control inflation, we should first resolutely reduce the excessive gross demand in society.

The most effective and direct way to do this is to curb the investment in fixed assets, especially the extrabudgetary investments. An excessive scale of investment is an important factor leading to the inflation of gross demand in society. The total fixed asset investment in projects under construction of units wholly owned by the people now exceeds 1 trillion yuan. Judging from our present

investment capability, it would take 4 or 5 years to complete all these projects even if no new projects were to be started now. Investment size is far greater than the state's ability to handle it, and the investment structure is also unreasonable. According to initial estimates for this year, investment in primary industries like energy, transportation, and important raw and semifinished materials, as well as infrastructure facilities, constitute less than 20 percent of the total fixed assets investment of the whole society. As a result, many processing industries become nonoperational due to a shortage of coal, power, raw and semifinished materials, as well as inadequate transport facilities, thereby resulting in a tremendous waste of investment. In correcting this disproportion, if the excessive scale of nonproductive construction projects and construction of the processing industry are not curtailed, much more investment in primary industries and infrastructure facilities will be required, thereby forcing the gross demand in society to inflate further. In controlling the scale of investment, this time we should do it seriously. We should cut and curtail it in earnest instead of going through the motions. We should not only curtail large numbers of office buildings, auditoriums, guesthouses and other unnecessary nonproductive construction projects, but also halt and delay the construction of some productive projects. We should resolutely curtail those projects that should not have been started in the first place. Even those projects that should have been started, including projects in the energy, transportation, and raw and semifinished industries, should be reorganized according to our financial and material capabilities. Some of these projects should also be halted or delayed so as to reduce the capital construction front and yield investment returns as soon as possible. We should strive to prevent touching our main areas, but it is impossible to leave them completely untouched. According to next year's plan, fixed asset investment for society as a whole should be 22 percent lower than the investment expected for this year. At this conference, the size of investment has been reduced by 19 percent thanks to the efforts of different localities and departments. We should make greater efforts to close the gap. Comrades in many areas and departments have called for avoiding "rigid uniformity." If this means curbing the investment scale while readjusting the investment structure, and restricting some projects while guaranteeing other projects, this is a correct path. However, it will be an incorrect move if avoiding "rigid uniformity" is used as an excuse by localities and departments for refusing to commit themselves to curbing investment in their respective localities and departments. We should deal with each case on its merits, without demanding "rigid uniformity." It is a prerequisite to make some cuts before proceeding any further. If the localities and departments claim that their situations are unique and refuse to make any cuts, then curbing the investment scale will be empty talk and it will be impossible to improve the investment structure. One special feature distinguishes the current drive to screen projects under construction and curb investment scale from the previous drives, and that is that this time the

industrial policy is serving as a guide for guaranteeing projects that should be guaranteed and restricting those that should be restricted, in the hope of readjusting the structure while curbing the investment scale, so that the two may proceed in a closely coordinated manner. On this matter vital to the overall situation, all localities and departments are required to make greater efforts and fully cooperate with one another to ensure the implementation of the requirements of the party Central Committee and the State Council.

An excessive growth of consumption demand is also a conspicuous problem in our present economic life. In order to curb inflation, we should not only reduce the scale of investment, but also strictly control the too rapid growth of consumption demand; resolutely change the phenomenon that has lasted for many years whereby the growth of consumption exceeds that of production; and solve step by step the problem of unfair distribution in society. It is necessary to adopt even more strict measures to reduce institutional consumption, resolutely overcome the phenomena of waste and extravagance, and strictly control any consumption funds besides wages and legitimate bonuses. At the same time, we should improve the regulations governing the payment of wages and bonuses. In short, we must bring the too rapid increase of consumption funds under control. The measures to reduce investment, lower the excessively high industrial growth rate, and screen companies will inevitably reduce some consumption demand. In addition to these measures, we must also take economic and administrative measures to convert and delay the establishment of some consumption funds. In particular, we should be determined to reduce excessive consumption. After listening to comprehensive opinions from various quarters and doing serious research, the State Council will formulate feasible procedures for managing consumption funds and strictly enforce them.

We should try in every possible way to stabilize and increase the savings deposits of urban and rural inhabitants and reasonably guide the diversification of purchasing power. This is of great significance in stabilizing the financial situation, controlling the present consumption demand, and stabilizing the market. In next year's balancing plan, the market commodity supply will still lag way behind urban and rural people's long accumulated purchasing power. Under such a situation, we will be unable to curb inflation effectively if we only rely on controlling the scale of credit and fail to stabilize and increase savings deposits. To make great efforts to attract the people's savings deposits will increase the source of funds for banks, reduce money supply, alleviate the strain on market commodity supply, and help control commodity price rises. In order to do this, it is necessary to enlarge the scope of value guaranteed savings deposits, or gradually increase savings interest rates, increase the number of offices handling savings accounts, and improve the quality of service. At the same time, it is necessary to do a good job in publicizing the benefits of savings deposits. Government at all levels should attach great importance to this task and do it well and seriously.

While reducing and controlling the total social demand, we must make great efforts to achieve good results in production and improve and increase effective supply next year. By the increase of effective supply, I mean the increase in the production and supply of important agricultural and sideline products such as grain, cotton, edible oil, meat, poultry, and eggs; of necessary industrial products for people's daily use, energy, raw and processed materials in short supply, marketable light and textile goods, and popular goods that can recover a large amount of money from circulation; and of export goods. I am not talking about an increase in all products across the board. To keep and seek excessive industrial growth should never be confused with increasing effective supply. In the next year, government at all levels should seriously implement the policies and measures laid down by the national rural work conference, conscientiously carry out the plans for supporting agriculture made by this planning conference, and strive for bumper agricultural harvests. Good agricultural harvests and increased outputs of grain, cotton, and other important agricultural and sideline products will lay the foundation for stabilizing market and commodity prices and will enable us to keep more initiative in reform and construction. While lowering the industrial growth rate, we should make great efforts to readjust the product mix. We should control and reduce the production of products that are in excessive supply and are hard to sell, products of poor quality and performance, and ordinary products that consume too much energy and raw and processed materials. The conserved energy, and raw and processed materials should be used in actively increasing the production of products that can increase the effective supply. All departments under the State Council and all localities should pay attention to this matter, compile lists of both the products for which the production must be guaranteed and the products for which the output must be reduced, and seriously guarantee or reduce their production as required. Only in this way can we truly put the limited resources to effective use, improve the quality of industrial enterprises in the course of readjustment, and improve and rationalize the structure of industrial production.

The production, transportation, and supply situation of coal in the next year will affect the entire production situation. Therefore, all departments and localities concerned must work hand in hand to ensure good work in this area. Railway departments should make a unified plan and adopt a unified freight charge policy for the transportation of coal, and should tighten control over coal transportation. Electric power should be supplied based on the increased effective supply of products. Priority in electric power supply should be given to agricultural production during the busy farming season.

Many comrades worry that production in the coming year will slide, thereby reducing the government's financial revenues and making life more difficult. Such worries are not groundless and warrant our attention. However, lowering the current excessive industrial growth to

the planned level is not a slide in production. Such lowering is needed to cope with the current overheated economy, as well as to readjust the economic structure to make it more reasonable. What we should try to avoid is to lower the industrial growth to such a level that we cannot even ensure basic effective supply. The key to lowering the excessively high industrial growth while increasing effective supply and financial revenues lies in effectively reducing material consumption, raising productivity, improving product quality, and improving economic results. To achieve these goals, we must thoroughly carry out the campaign to increase production and practice economy and to increase revenues and trim expenditure. We must strive to achieve practical results from this campaign. In the course of economic readjustment, we will meet many difficulties. We will face an opportunity which will provide us a chance to fundamentally change our thinking on guiding production work from the thinking of increasing financial revenues mainly by increasing investments, expanding production facilities, and increasing output value to the thinking of increasing financial revenues mainly by improving management, updating production technology, and improving economic results. Only by doing so can we open up a new frontier in our economic work. To divert everyone's attention from blindly increasing output value and vying for high output growth to improving economic results, the major criteria for evaluating the work of a locality, department, or an enterprise will not be the growth in its output value, but, instead, will be its economic results. The State Council has decided, beginning next year, to ask the State Statistics Bureau to announce every month eight important indicators of economic results of all provinces, autonomous regions, and municipalities. These economic indicators include overall industrial productivity, profit and taxation rates in the sale of industrial products, the ratios of profits and taxes to industrial capital, the rate of reducing the costs of comparable industrial products, and the rate of reducing overall energy consumption by industry. If an area is to be compared, I hope all of you will make a serious comparison in that area.

### III. Effectively Organize the Supply of Market Commodities, Keep Prices Under Strict Control, and Make Proper Arrangements for the Livelihood of the People.

This is an extremely important task in next year's economic work, and we must pay close attention to it. It will have a direct bearing on the stability of popular feeling and society and on whether or not the work of improving the economic environment and rectifying the economic order can be done smoothly.

To make proper arrangements for market supply, it is particularly necessary to do a good job in the supply of grain, nonstaple foodstuffs, and basic manufactured goods for daily use. At the same time, efforts should be made to increase the production of commodities in great demand,

which can help to withdraw more currency from circulation. At present, it is essential to efficiently purchase grain, cotton, pigs, and other major farm and sideline products, and to conscientiously organize the allocation and transport of commodities from one place to another. Generally speaking, the purchase of farm and sideline products this year has gone well. By the end of November, 84 percent of the quotas set by the state for grain purchasing had been fulfilled, an increase of more than 8 billion jin of grain over the same period last year. Over 70 percent of the quotas set by the state for cotton purchases had been fulfilled. We can see that the reduction of grain output is not as great as originally estimated and that the cotton purchasing task for this year can be accomplished. This will constitute an important guarantee that proper arrangements will be made for market supply next year. Of course, purchasing tasks have not yet been accomplished. Governments at various levels must go all out to continue to do a good job in this regard in order to purchase more grain and cotton. According to reports from various localities, the main difficulty in purchasing farm and sideline products now is a shortage of funds. In solving this problem, we should rely mainly on localities to tap their potential. They should reduce, as soon as possible, capital construction projects that should be reduced in order to release some funds to support the purchase of farm and sideline products. The people's banks should also support this effort adequately. However, the support of these banks is limited, and such support is to be given in the form of redistribution of funds. No more paper currency should be issued. Funds are still rather tight. People should not relax their efforts in this regard and ask higher authorities for money because the people's banks give support. People should understand that banks also have their own difficulties.

Large- and medium-sized cities and industrial and mining districts should make sure that they each have adequate acreage for growing vegetables and that they can increase the supply of vegetables. All localities and departments should conscientiously do a good job in the production of manufactured goods for daily use and use as much energy, raw and semifinished materials, and transport facilities as possible to develop light and textile industries in order to increase market supply. Vigorous efforts should be made to place orders for grain and other materials the state and localities have planned to import, and a good job should be done in transporting and supplying such grain and materials. Effective measures should be taken to ensure that the basic daily necessities for the residents in the urban and rural areas will not be sold out. Particular attention should be paid to arranging market supplies during the New Year's celebrations and the Spring Festival. As abundant supplies as possible should be made available.

To make next year's price hikes noticeably lower than those of this year, it is necessary to strictly enforce discipline in commodity pricing and strengthen market price control, in addition to reducing demand and increasing supply macroeconomically. All localities and departments must strictly enforce unified commodity

prices set by the state and must not raise such prices arbitrarily or in disguised form. As for the means of production to which a "double track pricing system" is applied, the additional prices must not exceed the ceiling set by the state. No locality or department is allowed to counter this. Adequate control should also be exercised over major commodities whose prices have been decontrolled. 1) Before raising the prices of its products, an enterprise is first to report this to the higher authorities. 2) Rates of price differences are to be set for purchasing and selling commodities or for wholesale and retail sales in different areas in order to prevent price hikes in different places or to prevent unreasonable price hikes because of long distance transportation. It is necessary to continue to do a good job in checking on and consolidating companies and to vigorously reduce exploitation by intermediate links in the circulation of commodities, and especially to strictly crack down on illegal dealings. Local authorities may select a number of daily necessities for people, provide that their prices are not allowed to rise, and make this known to the public. It is necessary to strengthen the supervision and inspection of market prices and to sternly deal with units and individuals violating the pricing law and discipline.

#### IV. Integrate Efforts To Deepen Reform and Persistence in Opening With Efforts To Improve the Economic Environment and Rectify the Economic Order.

To smoothly fulfill the task of improving the economic environment and rectifying economic order in the next year, we should continue to deepen the reform and to make full use of the advantageous conditions of opening to the outside world. Specific measures and procedures for implementing the policy of reform and opening must also be geared to the requirements of improving the economic environment and rectifying economic order. Based exactly on this guideline, the National Conference on Reform of the Economic Structure has worked out a plan for reform in the next year. It is now evident that we should pay attention to the following aspects in the reform during the next year:

First, enterprise reform should be deepened. The digesting of factors leading to price increases, the increase of financial income, and the guarantee of market supply, in the final analysis, all depend on the increase of economic returns of enterprises, especially large and medium state enterprises. With relatively good technology, equipment, and managerial experience, and with many talented people, large and medium enterprises play a decisive role in China's economy. It is hoped that they will make more contributions to the boosting of economic returns. There will be a strain on the supply of fuel, power, and major raw and semifinished materials, as well as on the supply of capital next year. Under the circumstances, enterprises will face many difficulties. They must overcome them by depending on comprehensive enterprise reform. The key points of enterprise reform in the next year are to continuously perfect and develop the contracted management responsibility system, to enhance and improve

the internal management of enterprises, to optimize the combination of productive forces, to really guide the vast number of workers' enthusiasm in order to tap internal potential, and to increase economic returns. At the same time, we must expedite the alliance and merger of enterprises, develop enterprise groups step-by-step and in an organized way, and optimize the organizational structure of enterprises. Pilot projects in regard to the shareholding system, with public ownership playing a dominant role, must be carried out steadily and properly. All of these have been specifically studied at the National Conference on Reform of the Economic Structure. Various localities and departments must seriously carry out these measures.

Second, we must vigorously push ahead those reform measures which play an important role in controlling inflation. The commercialized housing projects and the sale of property rights to some small state-owned enterprises play a certain role in diverting institutional purchasing power and in improving the consumption pattern and the production structure. All these reform measures will take time. However, we must work quickly to devise a plan, launch pilot projects, and sum up experience, thus creating conditions for further reform in this field.

Third, we must strengthen and improve macroeconomic regulation and control in our efforts to improve the economic environment and rectify economic order. This is also needed in our efforts to develop the planned socialist commodity economy, and is an important reform measure. In order to effectively curb inflation and readjust the economic structure, we must conduct macroeconomic regulation and control through economic, administrative, judicial, disciplinary, ideological, and political means. We should do our best to standardize and legalize these means, no matter whether they are economic or political, in order to prevent them from being used subjectively or at will. We should conduct macroeconomic regulation and control by economic means as far as they are effective. Where economic means can hardly result in prompt effects, it is necessary to adopt some necessary administrative means, including some measures and methods that have been used before and which have proved to be effective. As Comrade Zhao Ziyang said: Some of the administrative means that we are now practicing are necessary for the establishment of a new order of the socialist commodity economy. These means must not only be upheld now, but they should also continue to be upheld in the future. On the other hand, some other administrative means have to be adopted for the moment but should be gradually discarded in the future when the conditions are ripe. By and large, we wish to create a better environment for the in-depth development of the reform in adopting all these means which are favorable for the smooth development of the reform.

We should persist in the policy of opening to the outside world and make full use of the favorable condition of opening up to reduce difficulties in our effort to improve

the economic environment and rectify economic order. It is necessary to make full use of the present good opportunity to further promote economic cooperation and technological exchange with foreign countries, continue to carry out the strategy for the development of coastal areas, and ensure that this strategy and the process of improving the economic environment and rectifying the economic order will help each other progress. We must strictly keep our promise in honoring all contracts that have already been signed with foreign companies. We must guide foreign investors in their investment operations in China in accordance with our industrial policy, encourage foreign businessmen to establish enterprises of sole foreign ownership or joint ventures which will operate by using existing factory buildings and facilities, and vigorously develop an export-oriented economy which can "put both ends of the production process on the world market" and will not exhaust raw materials that are in short supply in this country.

Comrades, the task of economic construction and reform in the next year is very arduous, and many complicated contradictions and difficulties will have to be handled. Some problems have already been envisaged and some have not. Governments and economic administrative departments at various levels must do their best to be more thoughtful, carefully draw up plans, act with caution, and devote great and meticulous efforts to organizational work as well as to ideological and political work. They must pay close attention to new economic conditions and problems, investigate and study them, and quickly take practical and workable measures to deal with them. It is economic readjustment that will improve the economic environment and rectify the economic order. The existing interest distribution pattern will certainly be affected in the course of readjustment. Some concession or minor losses on the part of narrow interests will be necessary. For this reason, narrow interests must be subordinated to general interests in the process of improvement, rectification, readjustment, and reform. As far as major issues and important measures relating to reform and construction are concerned, it is necessary to ensure that all orders and prohibitions will be strictly enforced. In this regard, there is no room for bargaining—everyone is required to implement orders to the letter and is absolutely forbidden to go his own way. Although we should not underestimate difficulties arising in the process of readjustment, we should also be aware of conditions favorable for overcoming these difficulties. Our social production is growing steadily. The economic might of China as a whole is much more powerful than in the past. There is tremendous potential in various fields such as production, construction, and circulation. If we can discern and make full use of these favorable conditions, we can overcome difficulties and finish the assignment of stabilizing the economy and deepening the reform. We should also take this opportunity of the present readjustment to help our economic development take a turn for the better. As long as we do our best in both reform and construction and closely combine them, we will be able to make a new breakthrough of far-reaching significance in our efforts to optimize the

economic structure and to improve the economic structure, which is the fundamental way out for China's economy, thus paving the way for the country's long-term stable economic development. We believe that we can overcome the difficulties lying ahead and can achieve more noticeable results in our efforts to improve the economic environment, rectify the economic order, and deepen reform in a comprehensive manner, as long as the guidelines laid down by the 3d Plenary Session of the 13th CPC Central Committee are seriously carried out, the policies and measures formulated by the CPC Central Committee and the State Council are resolutely implemented, and leading cadres and workers of government at various levels will rise with force and spirit, unite as one, be fair and honest, and engage in a vigorous struggle with the vast number of people.

**Chen Yun Cited on Concerns Over Taiwan**  
*HK0203030189 Hong Kong CHENG MING in Chinese No 137, 1 Mar 89 p 13*

[Article by contributing reporter Tso Ni (1563 6627): "Chen Yun's Speech in the Inner Circle and the New Trend in United Front Work"]

[Text] The founding members of the CPC are feeling increasingly uneasy about the Taiwan problem. Since the second half of last year people, including Deng Xiaoping and Chen Yun, have delivered speeches on the Taiwan problem in the inner circle on many occasions. A department concerned in Beijing recently conveyed an important speech by Chen Yun on the united front problem.

Chen Yun has not always concerned himself too much with the united front problem. This speech by Chen Yun, which was conveyed to senior CPC united front cadres, was published shortly after Chiang Ching-kuo died from illness the year before last. The gist of Chen Yun's speech is: The death of Chiang Ching-kuo is very disadvantageous to our solving the Taiwan problem in the future. We did not seize the favorable time when the Chiang family father and son were alive and thus the problem which was difficult to solve originally has become more serious and complicated. The method of opening fire with artillery alone cannot solve the problem (it signifies that it won't work to emphasize resorting to military measures alone). I think that ultimately a political solution is needed. From now on we must work unceasingly to get rid of the passive state which is likely to emerge in the problem of China's unification.

According to analysts, Chen Yun's appraisal may possibly be correct. Because the CPC does not sufficiently understand today's KMT [Kuomintang] since Chiang Ching-kuo died, the higher echelon in the CPC once hoped that large-scale political turmoil would break out on Taiwan so that they could take the opportunity to cross the Taiwan Strait, recapture Taiwan at one fell swoop, and unify China. Unexpectedly, Li Teng-hui succeeded smoothly and not only has there been no disturbance on Taiwan but the KMT has speeded up the process of democratization

and formulated a series of favorable measures to stabilize Taiwan, especially by lifting the ban on visits to relatives on the mainland. This has forced the CPC authorities into a new passive position.

It is disclosed that policy-making figures of the CPC, including Deng Xiaoping, have already made self-examinations on united front problems. That Chen Yun's speech to the inner circle on the united front problem is now transmitted also really proves: 1) The conservatives are also dissatisfied with the reformers' views on the united front problem; 2) The CPC has begun to seriously consider that under the premise of not abandoning military measures, they will exert great efforts in the future toward the problem of "political solution."

It is said that the CPC has decided that Taiwan capital will be absorbed on a large scale. The departments concerned of the central authorities are formulating more preferential conditions for Taiwan investments, including allowing Taiwan capital to build special regions on the mainland and, so long as the KMT national flag is not raised and the KMT national anthem not played, the other conditions can be accepted.

Although the CPC has stepped up the method of political solution it has by no means given up military measures. Deng Xiaoping has given an order to speed up the modernization of the naval and air forces. It is said that in the last 10 days of November last year, while Deng Xiaoping was examining and approving the proportion of military expenditure, he gave the above-mentioned rigid order. When the propaganda group of the CPC was formulating the overseas publicity policy for this year, it instructed once again that overseas publicity for the naval and air forces should be stepped up.

**Scholar Cited on Petitions, Trust in State**  
*HK0303052289 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1350 GMT 1 Mar 89*

[Report by special correspondent He Fang (0149 2455): "Su Shaozhi Says That Presenting Signed Petition to the Higher Authorities Reflects People's Trust in the State"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 1 Mar (ZHONGGUO TONGXUN SHE)—A few days ago, mainland scholar Su Shaozhi said at his home that presenting a signed petition to the highest organ of state power in an attempt to put forth proposals is in accordance with the law, and a good form for pursuing democracy as well.

Quoting Article 67 of the Chinese Constitution, he said: Submitting proposals to the NPC Standing Committee conforms with the constitution.

Su Shaozhi stressed: "Submitting proposals to the party central committee and the highest organ of state power precisely reflects people's confidence in the party and state."

Su Shaozhi emphasized: "When a person signs his name on an open letter, this means he is responsible for his own signature. But he bears no responsibility for the words and deeds of other signatories before or after they sign their names."

**Correction to Draft Basic Law Adopted by NPC**  
**HK0303013989**

The following correction pertains to the item headlined "Hong Kong Draft Basic Law Adopted by NPC" published in the 2 March China DAILY REPORT beginning on page 21, column one:

Page 36, column one, fifth full paragraph, from line three, reads: ...passports of the Hong Kong Special Administrative Region [HKSAR] of the PRC to all Chinese citizens who hold permanent identity cards of the region, and travel documents of the HKSAR of the People's Republic of China to all Chinese... [providing indistinct passage]

**Economic & Agricultural**

**Statistics Bureau Notes Economic Problems**  
**OW0303014189 Beijing XINHUA Domestic Service**  
**in Chinese 1441 GMT 28 Feb 89**

[From the "Local Broadcast News Service"; by reporter Wu Shishen]

[Text] Beijing, 28 Feb (XINHUA)—Zhang Zhongji, a spokesman for the State Statistics Bureau, told Chinese and foreign reporters today: Both the overheated economy in 1988 and that in 1985 were side effects of great development of the productive forces, which is a problem in the course of development and advance. However, the recent incident has caused even more complex problems.

Analyzing some statistical figures, Zhang Zhongji said: The previous overheated economy started after several consecutive years of bumper agricultural harvests, while the current one is developing as the outputs of grain, cotton, and edible oil have been fluctuating for several years. The high industrial growth rate in 1988 was caused by excessive demand and the contention among enterprises for growth, but it was also promoted by the implementation of the contract system among enterprises, local financial departments, and foreign trade departments.

He said: During the previous overheated economic situation, the state achieved extraordinary financial revenues. During the current situation, the state has not received more revenues. This is because enterprises have practiced the contract system and most of the income from the increase of production and commodity prices is retained by enterprises and by intermediate links. Moreover, during the previous overheated economic situation, the market was more stable, commodity price rises

were less than 10 percent, and the people were psychologically calmer. During the current one, inflation is noticeable, spontaneous price rises, including unauthorized price rises, are conspicuous, consumers are more inclined to buy things in order to keep their monetary value, and the field of commodity circulation is in chaos.

The spokesman said that to enhance our macroeconomic control ability is an important way to deal with the overheated economy.

**Experts View Economic Troubles**  
**HK0103014389 Hong Kong SOUTH CHINA MORNING POST in English 1 Mar 89 pp 1, 11**

[By Angus Foster]

[Text] China's government is losing its grip on the economy as record inflation shows few signs of abating, an official said yesterday.

"Our ability to regulate is weakening. The problems and difficulties are increasingly complex," State Statistics Bureau spokesman Zhang Zhongji said in Beijing.

He admitted that the economy is in danger of running out of control.

Mr Zhang said prices spiralled in 1988 leaving many people considerably worse off than a year ago.

"China faced many difficulties last year. The major problems were overheated economic development and social supply falling increasingly short of demand," he said.

One-third of the country's 200 million city dwellers saw their standard of living drop last year as the official inflation rate rocketed to 18 ½ percent while worker's living expenses soared 20.7 percent. Pensioners and government officials were worst hit because their salaries were fixed, he said.

He said there had been a growing disparity between individual wages and between the poor western regions and richer areas in the east.

In the countryside, 40 million people went short of food owing to a poor harvest and lack of fertilizer.

Mr Zhang warned that industry is expanding too quickly with industrial demand for raw materials and energy far outstripping supply. Agriculture is lagging behind, helping force up food prices. Both have contributed to the highest recorded level of inflation since the communists took power, he said.

And he added it would be difficult for the government to bring inflation down quickly. "We will try our best. Perhaps the increase will be slightly lower", he said.

Mr Zhang admitted it would be more difficult to sort out the problems now than when the economy overheated in 1984-1985.

He said the government now has less control over the economy since market-oriented reforms allowed enterprises to keep more of their profits, and price rises have not translated into increased revenue for the state.

The figures are likely to lead to sterner measures against profiteering and corruption. They will also give further ammunition to those leaders calling for slower reform and for greater control over the economy.

Hong Kong-based political consultant Robert Broadfoot said: "Everyone recognizes reforms are inevitable in China, the question is what should be the priorities.

"These figures will strengthen the position of people calling for re-centralization and credit control and weaken the position of people wanting price and wage reform."

Although China's total production increased by 11.2 percent, Mr Zhang said last year was one of outstanding contradictions. Industrial production raced ahead by more than 20 percent while agriculture, which still employs about four-fifths of the country's workforce, could manage no more than 3.2 percent growth.

He said 1988 was a year in which the national economy was unusually active yet unstable.

"It was a year of joy and worries with many difficulties," he added.

He said the biggest worry was that last year's overheated economy was coupled with stagnation in the production of grain, cotton and oil-bearing crops.

Agricultural output grew by only 3.2 percent, and grain production declined by nine million tonnes to 394 million tonnes.

Mr Zhang said grain output fell about 22 million tonnes short of need. About 11 million tonnes was taken from reserves and another 11 million tonnes imported.

Economist Edward Leung at Standard Chartered Bank warned: "They do not expect the agriculture sector to improve production in the near future. They will have to rely on importing grain for some time and that will use up valuable foreign currency."

Agricultural production is hindered by farmers turning to industry or cash crops under the liberalizations, by high prices for fertilizer and supplies, and by low prices paid by the government for grain sold at state-subsidised prices in cities.

One glint of good news was that the average peasant wage increased by 6.3 percent in 1988 after accounting for inflation.

A second worry was that there was very little increase in government revenues last year. While prices soared, overall revenue was reckoned to have increased by 10 percent, suggesting it actually fell if inflation is taken into account.

Market reforms allowing companies to retain profits from increased production and price rises were blamed for the decline.

Coal supply had become strained again and one in five factories could not operate at full capacity because of power shortages. With the economy steaming ahead the country's transport system could not keep up and railways were operating over capacity, Mr Zhang said.

"They are the problems arising from the drastic growth of the productive forces and difficulties in the course of development and advance," he added.

Confirming yet more bad news Mr Zhang said China imported goods worth US\$7.71 billion (HK\$60.13 billion [Hong Kong dollars]) more than it exported last year.

The size of the deficit, which had been expected, is less worrying than the underlying trend, according to Dr Thomas Chan at the University of Hong Kong.

"It seems the trend has been a widening deficit since the second half of 1988. This trend will continue at least into the early part of 1989," he said.

Mr Zhang also said one in 10 investment projects had been suspended or cancelled since the government started clamping down last September to try and cool economic growth and bring inflation under control.

He could not say how many jobs had been lost in the clampdown, but estimated that unemployment will rise from the current 2.1 percent of urban workers to about three percent by the end of this year.

On a brighter note, Mr Zhang said tourism grew rapidly last year and 31.69 million tourists brought US\$2.22 billion (HK\$17.31 billion) of foreign exchange into the country.

Hong Kong was China's largest trading partner in 1988 with total trade volume at US\$30.2 billion (HK\$235.56 billion), Mr Zhang confirmed.

**Zhao's Instructions Relayed to Enterprise Forum**  
*OW0303094389 Beijing Domestic Service in Mandarin*  
*1030 GMT 27 Feb 89*

[From the "National Hookup" program; by reporter (Wang Lianxi)]

[Text] Today, how should enterprises shift their attention to internal management and embark on the road of development through self-improvement when faced with shortages of funds, energy supply, and raw materials? This is a question that many factory directors and managers are trying to resolve. At a recent forum on methods to optimize enterprises' internal management held in Beijing, responsible persons of some enterprises and economic theorists unequivocally pointed out that enterprises must achieve better work results by improving management.

Addressing the forum, Yuan Baohua, president of the China Enterprise Management Association, relayed Comrade Zhao Ziyang's two recent instructions. An instruction made by Zhao Ziyang on 20 January stated: Strengthening scientific management within enterprises is of great importance and has considerable potential advantage. It is imperative to gather advanced experience gained by enterprises in this regard and popularize it step-by-step. On 23 February, Comrade Zhao Ziyang wrote another instruction stating: With regard to grasping management, it appears very worthwhile to pay attention to management while continuing to improve the contracted operation system. This will improve beneficial results from operations of enterprises and thereby ease their financial difficulty and increase their capacity to withstand reform stress.

At the forum, responsible persons from 15 enterprises gave an account of their scientific management methods. These included the three-target-and-three-effect management method of the Anshan Iron and Steel Company, the one-assembly-line production method of the chassis shop of the No 2 Motor Vehicle Plant, the effective systematic management method of the Beijing Railway Bureau, the democratic management method of the Xintai Woolen Textile Mill in Shandong, the standardized work method of the Boshan Cement Plant in Shandong, the (Hongguang) systematic management method of the (Hongguang) Electron Tube Plant in Chengdu, and the benefit-guaranteed management method for enterprises devised by the Anyang Gear Plant in Henan.

According to economic theorists, the appearance of these management experiences signifies that production management has taken a significant step in progressing from management based on experience to scientific management and from a qualitative to a quantitative method in China's industrial enterprises. Management has embarked on a road of scientific, rational, and standard management.

Yuan Baohua said: At present, our country is facing financial difficulty. To achieve greater beneficial results, enterprises should not depend on tax reduction and greater profit retention, nor should they think of raising the prices of their products. All they can do is gear up their internal management and tap the potential within themselves. In other words, they should strive for better operational results by improving management. We should encourage more enterprises to devise more enterprise management methods with Chinese characteristics by reacting to their respective conditions, in accordance with the principle of creating their own unique methods on the basis of their own efforts, and the useful experiences of others.

**Readjustment, Reform Relationship Viewed**  
*HK2802150189 Beijing JINGJI RIBAO in Chinese*  
*10 Feb 89 p 3*

[Article by Liao Jili (1675 1323 4539): "Several Questions Concerning the Relationship Between Readjustment and Reform"]

[Text] Abstract: The current economic readjustment is structural, and is very different from the last few readjustments.

Improving the economic environment and rectifying the economic order should not be viewed as static, stagnant, and inert; rather, it should be linked to in-depth reform, and viewed as being dynamic, and progressive, with much to be accomplished.

Priority should be given to macrocontrol in the current readjustment, because the old structure was characterized by excessive distribution and loss of balance. Problems were mainly attributed to the macroscopic aspect. If there is failure in macrocontrol, both the market and microscopic aspect will become powerless. [end abstract]

**The Principle of "Improving the Economic Environment, Rectifying the Economic Order, and Reform" Is Positive**

The central guiding principle of "improving the economic environment, rectifying the economic order, and reform" is entirely correct. This is a positive principle aimed at existing problems. Improving the economic environment and rectifying the economic order are, in essence, a kind of readjustment. Only the current readjustment is very different from past ones. The current one is being conducted under the preconditions of domestic reform, and opening up to the world. It does not imply returning to the old structure by giving up reform and opening up to the world. The current reform is structural, but not one marked by a downturn in economic stagnation. Reform and opening up to the world still have a chance in the current readjustment, and the whole thing is not final. Therefore, it is necessary to acquire the determination, courage, and methods to

improve the economic environment and rectify the economic order. Improving the economic environment and rectifying the economic order will create conditions for the reform, while they themselves are part of the in-depth reform. By no means should we improve and rectify the essences in reform, opening up to the world, and invigorating the economy by regarding them as factors leading to confusion. We shall refrain from the past practice of relying on administrative means to improve the economic environment and rectify the economic order; instead, the whole process will be placed on the track of legalization, and implemented on the strength of a series of decrees. By doing so, blindness and arbitrariness will be greatly reduced. To a certain degree, the improvement of the economic environment and rectification of the economic order can be said to be a chance to push forward reform and development. In the course of improving the economic environment and rectifying the economic order, it is possible to build a new order of the socialist commodity economy, so that reform and development may be conducted smoothly in a rather sound socioeconomic environment.

#### **Readjustment Must Be Based on Reform**

We should adopt an active attitude toward implementing the principle of improving the economic environment, rectifying the economic order, and deepening reform because the principle is positive. In a nutshell an active attitude means basing ourselves on reform, while guarding against retrogression.

Improving the economic environment and rectifying the economic order should not be viewed as being static, stagnant, and inert; rather, it should be linked to in-depth reform, and viewed as being dynamic, and progressive, with much to be accomplished. Improving the economic environment and rectifying the economic order should be conducted with the same determination and courage as displayed in reform, while we should be circumspect, farsighted, and good at making decisions, stand high and see far, catch up with the changes in the world situation, and fulfill the new tasks we face in the course of in-depth reform. At present, we should firmly improve the economic environment and rectify the economic order while firmly pursuing reform and opening up.

Improving the economic environment and rectifying the economic order based on reform involves scientific work methods and spiritual enthusiasm. Attention must be paid to the following: 1) The change from being passive to taking the initiative. We cannot deny that some of our work remains in a passive state, with many new problems awaiting solutions. However, so long as we face the difficulties squarely, truthfully analyze their trends in development as well as the possible consequences, and are resolute in decisionmaking, it is possible for us to change from being passive to taking the initiative. 2) The change from being unfavorable to going smoothly. The strength to overcome difficulties is rather weak at present; while the policies from above often meet with

countermeasures from subordinates. Therefore, discipline must be strengthened, with strict enforcement of orders and prohibitions. At the same time, we should also see that, reform and opening up have already opened the way for China's economic invigoration. Things can be very hopeful so long as we are good at making use of the favorable conditions and opportunity to resolve difficulties and to change the unfavorable conditions into favorable ones. 3) The change from alleviating the symptoms to effecting a permanent cure. Measures for alleviating symptoms to stabilize the economic situation are quite necessary at present; otherwise, many economic problems may become social problems. However, the economic structure is likely to turn back to the old way in disguise without effecting a permanent cure. That can be equally dangerous. Therefore, alleviating the symptoms should be linked to effecting a permanent cure.

#### **A Five-Point Proposal on Taking Account of Both Reform and Readjustment**

Viewing the present situation, attention should be focused on work in the following aspects in actively implementing the principle of improvement, rectification, and reform.

1. It is necessary to gradually attain a balance in macroscopic volume, and to promote the shaping of a macroscopic regulation and control [tiao kong 6148 2235] mechanism. Experience has shown that, the old economic structures of the socialist countries were characterized by excessive distribution and the loss of balance. Problems were mainly attributed to the macroscopic aspect. Without macrocontrol, both the market and microscopic aspect will become powerless. Therefore, grasping macrocontrol is at the top of the agenda in the current readjustment. Under this prerequisite, efforts should be exerted to accomplish the merger of the macroscopic aspect, market cultivation, and enterprise invigoration. A problem that stands out at present is inflation. A permanent cure for runaway inflation is to combine demand suppression with efficient supply, and to make the growth range of supply greater than that of demand. To achieve this, it is imperative to achieve an overall balance between production, distribution, circulation, and consumption. In the production-distribution relationship, distribution should be lower than production, with balance sought by improving economic results. In the circulation-consumption relationship, the overheated consumption should be checked, by reducing circulation links, putting a halt to illegal buying or selling, and extending the consumption area.

First, we must firmly cut back projects with fixed asset investment exceeding 90 billion yuan, while keeping its scope under control. This should remain unchanged in the next 3 years. Readjusting the investment structure and improving the economic results of investments should be the focus. At the same time, some state-owned enterprises may be sold or transferred, along with the

measures for recovering investments of the bulk of administrative corporations, and turning residential houses into commodities. Such practices will cut back financial deficits, relieve the pressure on credit, ease the momentum of inflation, and strengthen macroscopic balance, while some funds, materials and equipment, energy resources, and transportation capacity will be spared to promote production and to increase effective supply. Second, industrial and agricultural production should be maintained at an appropriate growth rate capable of bringing in economic results. In the gross industrial and agricultural output value, the proportion of gross agricultural output value should not be lower than 30 percent, with grain output reaching 800 jin per capita as quickly as possible. Otherwise, development of industry, as well as the entire national economy, will be greatly affected. The industrial growth rate must be slowed down, and maintenance of a growth rate between 8 and 10 percent will be all right. The key lies in improving economic results. We should firmly readjust the product mix, goods in excess supply should be axed, while commodities in short supply and marketable ones should be increased. That is also one way to increase effective supply.

Resolving the macroscopic balance means building a macroscopic regulation and control mechanism. That is a permanent cure. We should study the deep causes leading to the loss of macrocontrol, namely finding the root cause in the structure as well as a solution to it. The root cause leading to economic dislocation and instability lies in eating from the same big pot in the macroscopic aspect, namely the free economic supply system including planning, investments, materials and equipment, finance, credit, foreign exchange, wages, and prices. Poor economic results in macroeconomic management are also a basic cause leading to the poor economic results of departments, localities, and enterprises as well. The government will never succeed in the pursuit of the commodity economy while the practice of eating from the same big pot continues. Nor will it work to depend on enterprise reform alone without achieving macroeconomic balance and improving economic results. The issue of macroscopic balance, and regulation and control involves the development strategy pattern and structural pattern, the two must be combined in our study. I have dealt with macroscopic balance and regulation [tiao jie 6148 4634] in several previous articles; so I will not repeat them here. I would like to deal with the structural pattern as follows.

To my mind, macroeconomic balance and management should be based on the commodity economy and the law governing value, to achieve the change from a pattern characterized by loose central control, and rigidity in localities to a pattern characterized by strong central control and invigoration in localities, with legislative and institutional guarantees. It is necessary to build a mechanism for the balance in planning, investments, finance, credit, foreign exchange, and wages as well as the balance between them so as to effectively keep the

balance in macrocontrol. Even when there is a partial loss of control, it will be easier to correct the situation, with little effect on the whole situation.

Such a pattern of the new structure can be generalized as four "disjunctions:"

—The key of state planning is control over planning, which includes formulating the development strategy, and balancing general demand and general supply, major proportional relationships, investment scope, and structure of fixed assets as well as the work force layout. State planning should disjoint itself from the distribution of investments as well as materials and equipment. The allocation and operation of investments, materials, and equipment should be based on economic results. The annual plan should be based on enterprises' contracts, formulated and carried out on their own, with enterprises assuming sole responsibility for their profits or losses. The enterprise's economic activities should be harmonized by the market, while the government regulates the market and enterprises by such levers as taxation, credit, and legal supervision.

—Steady and rational funds will come from building a fund balancing system, which is disjointed from financial revenues and expenditures. In this way, a new investment structure will be effectively implemented, while the improvement of economic results will be promoted. At the same time, the phenomenon in which attention is focused on the scope of investment, while refraining from bearing economic responsibility can be prevented.

—The practice of keeping expenditures within the limits of revenues is vital in finance, as is achieving balance with a minimal surplus, and finance should be disjointed from the bank. Taxation should also be separated, with a rational solution to the financial relationship between the center and the localities. If deficits surface in finance, they should be resolved by issuing bonds. Finance should be disjointed from the bank's credits.

—Bank credits should be disjointed from the issuance of banknotes. The credit structure should be readjusted by linking it to the setup for production and product mix under the prerequisite that no breakthrough is made from the general scope of bank credits. Deficit in credit volume should never be covered by the issuance of banknotes. It is necessary to establish the independent status of the central bank, the plan for issuing banknotes should be sanctioned through legal procedures, with legislative guarantees.

The building of the above-mentioned balance and mutual restriction mechanism will bring about the balance of macroscopic volume. Of course, the above-mentioned macroscopic regulating mechanism should be made specific so that the relations between the center,

localities, departments, and enterprises may be handled well. Because of the limitation in space, my discussions on these issues have to be dispensed with here.

2. While efforts are exerted to keep inflation under control, the shaping of the price mechanism should be promoted. True, the focal points in the next 2 years are readjustment and rectification, especially keeping inflation under control, but appropriate price readjustments should not be neglected. Otherwise, a rational price mechanism will not take shape with prices failing to reflect the market's supply-demand relationship; consequently, the process of price reform will be prolonged. What is more important is that the grave distortion in some prices will be aggravated, resulting in the abnormality of the production mix, with a decline in the production of some commodities in short supply. That is unfavorable to stabilizing prices, while stimulating price increases. Of course, it is necessary to appropriately slow down the pace of price readjustment in the next 2 years, and to be very cautious in introducing new measures for price readjustment. But we cannot afford to wait until the completion of economic readjustment to conduct a major price reform.

In this aspect, three major problems should be resolved at present: First, deposit interest rates must be raised on a par with the inflation rate; otherwise, they will fail to attract savings deposits, fail to stabilize the market, and fail to set people's minds at ease. Such ways as savings with prizes in lucky draws, and savings for physical goods and housing can be adopted, for they serve to stabilize the market. Taking into consideration the enterprises' bearing capacity, the increased range of loan rates can be somewhat lower. Because the loan volume is around three times the savings volume, and raising the loan rate by 1 percentage point will cover 3 percentage points in the savings rate increase. Here, we must stress that financial, banking, and price departments should start from the complete situation, not just from their own departments in sizing up the situation. Because price rocketing is a comprehensive reflection, comprehensive treatment is involved. We should avoid losses of entire interests of the state and people as best we can even at the cost of partial interests. Every percentage point in price increase will incur devaluation in government and social funds in terms of 10 or 20 billion yuan. If we fail to bring down prices quickly, the annual loss could be between 200 and 300 billion yuan. That is far beyond the bearing capacity of the country and the people, while the consequences are beyond our imagination. With interest rates raised, it is certain that some enterprises will go bankrupt, causing the unemployment of some workers and staff. That is the inevitable price for improving the economic environment and rectifying the economic order, but compared with runaway inflation, the losses will be much smaller. Problems like bankruptcy and unemployment can be dealt with by other means. Second, it is necessary to give play to the role of the money market, and to make full use of social funds. At present, the potentials for utilizing funds are great.

True, strict control over the bank, the issuance of banknotes, and the general scope of credit are all necessary, but the bank should be given relative power to take the initiative, to give play to the role of the monetary market, and to use funds with flexibility to accelerate their circulation. And third, it is necessary to gradually cut back prices of industrial products, and to readjust industry and agriculture as well as industry's internal price structure. In addition, the existing subsidiary measures should be improved, with subsidies to consumers gradually changed to subsidies to the producers. Regarding prices of production materials for agricultural use, preferential tax rates and preferential interest rates should be implemented to lessen the enterprises' burdens and to strengthen support for agriculture. This is also an important measure for increasing agricultural input.

3. It is imperative to eliminate the practice of turning power into a commodity, and to promote the shaping of a unified market. The phenomenon of turning power into a commodity has surfaced in the course of the change from the old to the new structure, and is abnormal at that. The causes of such a phenomenon can be rather complicated. One of the causes is that the localities and administrative departments have been involved in decentralization of power and concessions in profit-sharing and contracted responsibilities in recent years. Consequently, power is decentralized, layers are increased, and administrative functions intensified. This is unfavorable to invigorating enterprises, while stimulating the practice of turning power into a commodity. Turning power into a commodity has corrupted the health of the party and government, injured the image of reform, confused the market order, and jeopardized the shaping of the market mechanism. Consequently, reform can hardly be carried out smoothly. To eliminate the phenomena of turning power into a commodity, comprehensive improvement, the acceleration of political structural reform and the strengthening of the legal system are necessary. It is necessary to implement the separation of the party and government, the separation of the government and enterprises as well as the separation of the government and economy, namely, the separation of the administrative functions and the economic managerial functions of the government. The scopes, characteristics, and means are all different between the administrative and economic managerial functions. The former is based on regional administrative division, with emphasis on the subordinate subjecting to the superior, and management conducted by administrative means. It is different with economic management, in which regional administrative division is broken through, with emphasis on horizontal ties and management by economic means. Naturally, it will end in failure when these two categories are confused. The practice of turning power into a commodity has no place in capitalist countries, and is illegitimate in other socialist countries. By no means should it be institutionalized under the pretext of its having Chinese characteristics. Regarding the separation of the government and the economy, I think, we may refer to the experiences in the early fifties of founding a leading financial and economic organ at the central level in establishing up-down financial and

economic leading organs at central, provincial (regional), municipal, and city levels with single listing in the plan. The central leading financial and economic organ is responsible to the State Council, which is in charge of overall economic work; the subordinate financial and economic leading organs are responsible to their immediate superior financial and economic leading organs, with the cancellation of all contracted responsibilities of administrative organs at various levels in the financial and economic area. With the division of power and sharing of financial and tax revenues, local finance will be confined to the administration of cultural and educational undertakings, public welfare, and capital construction, excluding the management of production enterprises and capital construction. Local government will then shift to regional planning, rendering guidance, supervision, and examination. When conditions are ripe, the financial and economic leading organs at provincial and municipal levels will break through the regional administrative division, and establish economic communities to organize economic activities based on economic divisions (such as the Chang Jiang Delta, the Chang Jiang-Han Jiang Plains, the Liaodong Peninsula, the low and upper reaches of the Chang Jiang, and the Zhujiang Delta) with various characteristics, scopes and levels, and multiple layers on the basis of democratic negotiations, equality, and mutual aid. This work should be listed in the contents of improving the economic environment, rectifying the economic order, and reform, and be conducted along with other structural readjustments.

4. It is necessary to conduct in-depth enterprise reform, and to form a new enterprise system. Enterprises are the economic base. Enterprise reform should not stop in the course of improving the economic environment and rectifying the economic order; moreover, a new enterprise system should be founded as soon as possible.

We should see that the contracted responsibility system is effective, and suitable to the productive force level and cadres's administrative level at the present stage. Marked results have been scored with its implementation but not without problems. It must be made complete and perfect, and the reform must be continued. Now, the government executive departments have promulgated a series of measures and methods for improving the economic environment and rectifying the economic order. But the bulk of them are aimed at enterprises, with the view that invigorating enterprises is the root cause of all confusion. That is wrong. Enterprises should bear responsibility in some aspects, but the root cause lies above. We cannot treat the feet when the pain is in the head, and put the cart before the horse. Should things go wrong, enterprises' initiatives and economic results will be affected, resulting in the loss of macrocontrol, then it will be even more difficult to improve the economic environment and rectify the economic order. There are needs for enterprises to strengthen their own building, to improve economic results, to unfold horizontal mergers, and to form a new industry mix and product mix, while they develop in the

direction of the joint-stock system and gradually change the organization form of the state-ownership system. Of course, because of the restrictions of objective conditions, it is inappropriate to spread the joint-stock system on a large scale, but this system must be actively implemented on an experimental basis to explore experiences, and to create conditions for the pursuit of the system in the future.

5. The improvement of the economic environment and rectification of the economic order must be linked to the export-oriented economy to shape it into an economic pattern characterized by opening up to the world. Developing the export-oriented economy and encouraging foreign-funded enterprises are favorable to overcoming the difficulties facing us today. We should rely on developing the export-oriented economy to change our difficult situation and to create a new operational mechanism for the export-oriented economy in the future. The world economy is constantly developing; the changes could be very fast in the next 10 years. It will never stop developing because of the economic difficulties and stagnation of a certain country or region. Nor should China's coastal areas miss the opportunity in their economic development in the course of improving the economic environment and rectifying the economic order. A new way must be found, which is favorable to improvement and rectification as well as developing the export-oriented economy, with the two aspects linked together, and pushing each other forward. The new way will become increasingly wider. Take the economic structural reform in the coastal areas for example. There is much to be accomplished in the planning structure, industry mix, product mix, investment structure, credit structure, foreign trade structure, foreign exchange structure, as well as administrative and organizational structures. Especially when these structural readjustments are linked together in implementing comprehensive reform, the export-oriented economy of the coastal areas will shape into a new pattern and mode, and play an exemplary role in pushing forward readjustment and reform in the hinterland.

**'Unfair' Income Distribution System Analyzed**  
*HK0203062189 Beijing JINGJI YANJIU in Chinese*  
*No 1, 20 Jan 89 pp 77-80*

[Article by Wei Xinghua (5898 5281 5478) and Wei Jie (7614 2638) of the People's University of China: "An Examination of the Income Distribution System and Ways to Deal With the Predicament"]

**[Text]II. Two Major Problems Concerning Income Distribution Among Individuals: Egalitarianism and Unfairness**

China's current reform of the individual income distribution system faces a challenge in two aspects: On the one hand, there are the new and more serious phenomena of egalitarianism and "eating from the same big pot" while the reform goal of rationally widening income

differences has yet to be achieved. On the other hand, unfair distribution in society and the tendency of excessively widening income differences has developed and spread so much that people feel they are not being paid in accordance with what they have contributed to society. These two contrasting social phenomena cause a chaotic situation in the individual income distribution system. As they blend together they pose a serious threat to establishing a new income distribution system and hinder the formation of a new order in the socialist commodity economy. One of the reasons that these two contrasting aspects developed in our reform activities concerning individual income distribution is because, in our recent reform of the economic system, we excessively emphasized changes in the external mechanism of economic interests of enterprises but neglected changes in the internal one.

Though egalitarianism and unfair income distribution are interrelated in terms of the cause of their formation and the scope of their existence and functions, these two contrasting drawbacks in our income distribution differ from each other in many respects. We must therefore pay attention to their individual characteristics when weakening and eliminating them. Proceeding from the present situation, egalitarianism exists mainly in state-owned enterprises and institutions. The key to weakening and eliminating it is to achieve changes in the internal mechanism of economic interests in such enterprises and institutions. These changes include the following two aspects: First, we should gradually implement and perfect the system of piece-rate and fixed wages and the system whereby wages are linked to responsibilities; link the quantity of products and services to the quality and cost when assessing the contribution and income of the laborers in question; and realize distribution according to the effective labor time of society (expressed in the form of effective labor results) in observance of the principle of distribution according to work. Second, we should gradually replace the centralized distribution system of wages where the state is the unique subject, with another distribution system wherein the state, enterprises, and laborers are the subject. We should promote a rational and standardized distribution of labor so that the state is mainly responsible for macroreadjustment of income distribution in the course of redistribution, while the specific operation concerning primary distribution is mainly determined by enterprises and individual laborers. While enterprises have the right to work out their systems for awarding wages, bonuses, and promotions, individual laborers have the right to receive their proper share of income according to the principles of equal labor and equal pay. The mutual constraints and bidirectional selection between enterprises and laborers may thus rationally and appropriately widen income differences in primary distribution, thereby realizing the principle of distribution according to work.

Contrary to egalitarianism, unfair income distribution is a new issue which has emerged in the wake of our recent reforms. It generally reflects that our overall economic structural reform was not coordinated properly and part

of our work went wrong. It also involves unfair income distribution among different economic elements in which income derived from mental labor and that derived from physical labor are unequal, incomes received by different state-owned departments and by different trades are unequal, and so forth. In order to solve this issue we must adopt a comprehensive approach and specific measures and coordinate the efforts by various areas. We shall analyze below several major unfair income distribution phenomena and propose corresponding countermeasures.

## **II. Problems Concerning the Difference Between Income Received by Workers in the State-Owned Economy and That Received by People in the Individual and Private Sector Economies**

The causes for the development of income differences between workers in the state-owned economy and those in the individual and private sector economies are as follows:

1. **The structure.** Members of the individual and private sector economies may flexibly change their production according to changes in their economic structure and may engage in highly profitable trades without delay. State-owned enterprises, on the other hand, have difficulty in transferring their assets, cannot freely select trades which need to be developed quickly, and are limited to their original trades even though such trades suffer recession. Under such circumstances the simple consequence is the development of structural income differences because it is still impossible for China to effect an average profit ratio through market mechanism. Such income differences require readjustment using taxation leverage but should not be eliminated by adopting hefty taxation. Rather, we should emphasize the management system in the state-owned economy so that the state-owned enterprises can move in the direction of selection according to their own accord. This requires the genuine transfer of the right to choose the direction of operation to enterprises, so that such enterprises have the right to change their production. Moreover, this requires us to allocate more development funds to such enterprises to give them the capability of changing their production.

2. **The management system.** Both the individual and private sector economies are favorable to the optimization of labor and efficient in terms of utilizing manpower and financial resources. In addition, their labor intensity is so strong and their effective labor time is so long that they can yield high earnings through better economic results. The state-owned economy, however, wastes large quantities of manpower and financial resources and is overstaffed. Its effective labor time in particular is short so that it compares unfavorably with the economic results in the individual and private sector economies. Any income difference derived therefrom is therefore reasonable and normal, and nobody should attempt to pursue the type of "fairness" based on the practice of

eating from the same big pot at the expense of efficiency. The only way to eliminate this kind of income difference is to promptly rationalize the interests relationship in the state-owned economy, to strengthen and perfect its management system, and to improve economic results.

3. The distribution system. The main source of income received by the workers of state-owned economy lies in their labor, whereas that of people in the individual and private sector economies includes income derived from their assets and their labor and operation. The total of the latter is of course higher than the income of workers in the state-owned economy whose income still compares unfavorably with that received by resourceful people in the individual and private sector economies. This is despite state-owned economy workers enjoying state welfare and protection services. Such an income difference should therefore be readjusted through income tax. However, we should not completely eliminate such differences or the development of the individual and private sector economies will be adversely affected and the development of productive forces in society will eventually suffer. The only solution is to emphasize reforming the individual income distribution system in the state-owned economy while carrying out appropriate readjustment through income tax. We should distribute part of the net income accumulated by enterprises to workers as their personal assets according to their contribution of labor, and allow them to enjoy a profit rate similar to that enjoyed by state-owned assets and enterprises assets in such enterprises' future profit distribution, thereby opening new sources of income for workers in the state-owned economy.

4. The ownership system. Income difference develops because it is impossible to conduct fair competition between the state-owned economy and the individual and private sector economies due to differences in the nature of their ownership. In addition to delivering profits to the state (which is the manifestation of ownership of the means of production in the state-owned economy), the state-owned economy must pay taxes but the individual and private sector economies are simply required to pay taxes at a rate lower than that levied on the state-owned economy. We must readjust such income difference through taxation in order to achieve fairness.

5. Style of operation. Both the individual and private sector economies can make their choice and conduct abnormal acts while making such choices according to the actual conditions in terms of the purchase of raw materials and the sale of products. The operation style in the state-owned economy is, however, still rather rigid and no inappropriate acts such as those adopted by the individual and private sector economies are allowed. It is therefore very difficult for the state-owned economy to compete with the individual and private sector economies. The solution to this issue is to unify the rules of operation and those of the market. On the one hand we must, under state macroreadjustment, form an operation mechanism through economic, administrative, and legal

means that restricts the operation of the individual and private sector economies, thereby limiting and overcoming their inappropriate acts and operations. On the other hand we must truly open and perfect economic activities in the state-owned economy.

### III. The Issue Concerning Inappropriate Income for Mental Labor

A prominent feature of the currently unfair distribution is that the incomes of mental laborers in education, scientific research, and public health departments are lower than those received by physical laborers in the general production and circulation departments. One of the reasons that income for mental labor is inappropriate is because of the dual-track system in individual income developed by our reforms. An absolute majority of the income earned by physical laborers employed by enterprises and units is basically opened up and a mechanism for determining the individual income of workers by the market is developing. Furthermore, because there are no standardized internal distribution mechanisms or macroreadjustment measures for enterprises, the tendency for departments and enterprises to compare their individual income with each other develops, stimulating excessive income growth. Individual income in education, public health, scientific research, and other departments and institutions whose staff are mostly mental laborers, is controlled by the state. Such income has not been changed, or has only been "slightly" readjusted, in recent years and in most cases, only some benefited from the change. Consequently, the income difference among laborers of the same enterprise or unit is inevitably widened. The irrationally high income received by workers in enterprises and units should be readjusted through taxation and we should promptly standardize their income distribution system. However, we cannot settle the issue that income received by mental laborers is inappropriate by recalling the decisionmaking power concerning income distribution held by enterprises and units. Instead, we should systematically increase the income level of mental laborers hired by education, scientific research, and other enterprises and institutions by referring to the standards of individual income received by workers in enterprises and units.

The second reason that the income of mental labor is inappropriate is because of the "leftist" influence in the past. Contributions to the state and social development, and the roles played by mental laborers in education, scientific research, public health, and other institutions and units, were not really recognized. Therefore, the fundamental method of putting an end to the excessively low income of mental laborers is to recognize their "value" and pay them their proper rewards.

The third reason that the income for mental labor is inappropriate is because the "labor market", particularly the "qualified personnel market", has yet to be opened up and there is no mechanism to affirm the precious contributions made by mental laborers. Under the

present system, when a mental laborer of a unit cannot earn more by making more contributions it is impossible to reselect, through the circulation mode, another unit which practices distribution according to work. Moreover, it is impossible for him to move to those nonstate-owned economic units which pay a higher income. Only when the "labor market", particularly the "market" for highly qualified personnel, is completely opened up and when mental and physical laborers can compete in a fair environment, can the shortage of qualified personnel in China be eased through income distribution. Then we can put an end to the phenomenon that the income of mental laborers is inappropriate.

#### IV. Unfair Individual Income Distribution Among State-Owned Economy Trades and Among Enterprises

An abnormal widening in individual income difference among trades in the state-owned economy is another important aspect of unfair individual income distribution. Such unfairness is first manifested as an unfair structural income. The gap between trades in respect of which products are in short supply and those in respect of which products are unmarketable is very wide, as is the difference in individual income. Under the circumstances where enterprises have full power to select trades and change their production, this income difference will gradually be reduced and eliminated through averaging profits in the course of trade selection and competition by enterprises. Under China's current circumstances it is difficult to achieve this because of the structure and reasons concerning productive forces. It is still very difficult to realize an ultimate solution to the unfair structural income. The state should, through levying tax on the profit difference among trades, collect taxes on high earnings derived from short-supply products and which are realized for reasons other than the enterprises' own efforts, so that we can maintain structural income difference within the scope of fairness.

The second aspect of unfair individual income among enterprises is that the state-owned economy is the unfair factor of income sources. This refers to the profit difference developed by differences in terms of difficulty to obtain the factors of production (including labor, capital, means of production, technology, and so on) and expenses for the use of such factors by enterprises. Eventually, such income unfairness is eliminated by depending on the market. That is, various enterprises obtain their factors of production from the market according to unified market rules and prices. However, taking into consideration that an unfair structure concerning the procurement of the factors of production has been formed which is impossible to equalize through the market, technology, and the means of production originally allocated by the state, and, in particular, that the present market is imperfect and that it takes a long time to change the system of resources allocation, we can first of all adopt the method of unifying profits derived from capital. We can collect such profit difference according

to the ratio between the amount of funds utilized by enterprises and their profits derived from their capital, thereby eliminating income derived from unfair factors of production.

The third aspect of unfair individual income among enterprises in the state-owned economy is the unfair individual income among regions. This refers to the unfair income earned by enterprises because of their location. This involves two different circumstances. The first is the inaccessibility of some enterprises and areas where external conditions are not economical because of our past mistakes in development strategies. As a result the production costs in these enterprises are very high while their income is very low. The second one is the individual income difference caused by different economic policies adopted by the state in various areas following implementation of reforms and opening up. To deal with these two circumstances we should appropriately take care of them in terms of tax and profit delivery for the former, and perfect and standardize preferential policies for the latter. Such preferential policies must satisfy the requirements of the market mechanism.

The fourth aspect of unfair individual income among workers in state-owned enterprises is the unfair basis for determining the sum of funds to be distributed among workers. Previously, we mainly took profit delivery as the basis for determining the funds to be distributed to enterprise workers and the two, although fluctuating, were linked together. Currently, various enterprises in the state-owned economy vary greatly in terms of factors of production. It would be highly unfair to take this as the basis for determining the sum of funds to be distributed to individual workers in such enterprises. The only basis for determining the sum of funds to be distributed among workers in various enterprises should be economic results and the "price" of state-owned funds. Under the conditions of commodity economy the economic results are judged by the rate of capital returns. The state should unify the "price" of funds held by state-owned enterprises with different economic results, that is to say the price to pay for the use of each yuan of such funds. In addition, the state should collect payment for the utilization of all such funds by the enterprises on the basis of the "price" of funds. This standardizes technological conditions, asset values, and so on, to be allocated by the state to enterprises, transfers them into a unified form of capital, and collects profits on the basis of the unified "price" of capital. The additional collection of profits by the state eliminates the advantage that favorable factors of production are allocated to such enterprises by the state and takes the various enterprises' own efforts as the basis for their actual income. Following the elimination of various nonsubjective causes a link between the economic results of enterprises and the sum of funds to be distributed among their workers may ensure that the individual income distribution among workers in various enterprises is fair.

#### V. Problems Concerning Enormous Profits

A confused mechanism of redistribution and the dislocation of reform of the political system encourage some people to seek enormous profits by using power and are the most prominent aspects of unfair income distribution. First, the extremely serious inflation of aggregate demand and the serious shortage of goods and materials helped some people who controlled the distribution of such goods and materials seek enormous profits by illegal means like taking bribes and hiking prices. Second, the excessively low rate of credit capital helped those with access to large amounts of loan capital seek enormous profits. Third, the dual-track system provides a basis for "speculation grandfathers" to seek staggering profits. An efficient way to deal once and for all with such illegal and unfair income is to straighten out the situation in a comprehensive manner. First, we should resolutely check the rapidly inflating aggregate demand and the fast growing inflation and eliminate the environment where such illegal and unfair acts exist and develop. Second, we should standardize the social mechanism of redistribution to eliminate the basis for developing such illegal and unfair acts. Third, we should promote reform of the political system and maintain the practice of honesty in the government to eliminate the political vacuum in which such illegal and unfair acts exit and develop.

#### RENMIN RIBAO Views Land Management HK0303053189 Beijing RENMIN RIBAO in Chinese 27 Feb 89 p 6

[Article by Zhou Qiren (0719 0366 0088): "My Opinions on the Appropriate Scale of Land Management"]

[Text] 1. Judging from general knowledge, I think that China's agriculture should strive for economies of scale which will help raise the agricultural production rate. However, people do not fully understand the real concept of economies of scale. The management scale which we are going to talk about is very different in meaning from the economic term "economies of scale." Conceptual confusions will cause deviations when we enforce policies so we have to deal with this problem seriously.

There is a prerequisite in exercising economies of scale in that we should put our respect for the peasants' rights in first place. We should recompose factors of the peasant's free will under the prerequisite of first admitting the rights of peasants to manage and use the land. If we do not respect the rights of peasants and exercise economies of scale compulsorily by means of executive powers, this will constitute an infringement and become disguised exploitation of peasants.

During the 10 years of reform, China's interest groups have had, following the gains and losses of their interests, a relatively large degree of change in their attitude toward the reform. But the peasants, who were the first to implement the reform and have given it the greatest support,

have not lost their confidence in the party's policies. This is because of the success of the system fixing farm output quotas on the household basis from which they have obtained actual interests. They unswervingly support the reform so we should pay special attention to this point when exercising management of scale.

2. Economies of scale judged, from the economic angle, does not mean quantitative accumulation. It means that when there are changes in the proportion of factor inputs, different proportions of factors will cause different economic results.

The word "scale" has two meanings: A standard of measurement and proportion. Economies of scale require changes in structure or proportion. If only the standard of measurement changes, say from a mu of land, a hoe, a laborer, to 2 mu of land, 2 hoes, 2 laborers, while the proportion does not change, there will not be a marked increase in economic results. This is a semantic interpretation.

We can have a clearer economic interpretation if we combine economies of scale with the background of social resources. We have mentioned that only with changes in the proportion of factors can economic results be greatly increased. But how should we change the proportion of factors in order to have a marked increase in economic results? Economists tell us: Expenses can be cut by replacing factors with a high degree of scarcity with those having a low degree of scarcity. In other words, regarding the composition proportion of factors, a greater use of resources which are relatively rich in supply is beneficial to increasing economic results.

Specifically speaking, land, capital, and technology in China are very scarce while labor is comparatively abundant. The technical direction that China's agriculture should take is: Make greater use of labor or accumulating capital to replace land. The reason is that the land is limited but the population we have to feed is constantly increasing. Therefore, land should be the most precious and scarce resource.

Economies of scale are also a combined effect. The proportional changes in the composition of several factors must be considered. If we only promote "land management of scale" or emphasize the quantitative increase of a single factor, this is not real management of scale. This also does not conform with economic principles. Such an allocation of resources has not taken into consideration the general structure of China's resources and may intensify the current distortion in the allocation of factors.

3. The problems in advanced agricultural areas are very complicated at present, for which there are historical and institutional reasons. A lot of difficult work is needed to solve these problems and it will be hazardous if we simply adopt executive methods.

We have to seriously study two points about the land problem in advanced agricultural areas. 1) Land actually performs a dual function for China's peasants today. Besides the economic function it performs the function of providing social insurance. Under the present market conditions, there are perhaps only a few township and town enterprises with enough confidence in continuing to make profits and avoiding shutdown within a relatively long period of time, who can provide social insurance caring for people's births, aging, illness, and death. Before society can completely solve this problem it is good to retain a certain degree of flexibility in land management. 2) The problem exists that some peasants quit farming and leave their farmland unused. The crux of the problem is a matter of rights. If we try to solve the problem of idle farmland and the peasant's being unwilling to farm through "economies of scale," it is practically impossible to achieve good results. The key is to admit the rights of peasants.

We therefore have to grasp two basic points in our work: 1) Respect the rights of peasants; and 2) guide the peasants in effectively utilizing the land. This can be achieved by economic methods or by local or foreign practices which are considered good. The choice is to be made by the peasants themselves. The productive force of land can only be formed over a long period of time so we must insist on a steady land system. It will be a big problem if farmers lose their interest in land. If we solve the problem of partial shortage of labor in advanced areas through circulation of labor, the cost will be even lower. This has been proved by experience in some advanced areas.

On the whole, management of scale has its superiority. Those places possessing the conditions at present can exercise appropriate management of scale. The key is to make sure of what management of scale is, and by what mechanism management of scale can be promoted, otherwise we will achieve the opposite result.

**Agriculture's 1989 Responsibilities Viewed**  
*OW0303014289 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 8, 20 Feb 89 pp 6-7*

[Article by Wang Jian (3769 1017) and Yan Wenbin (0917 2429 2430): "1989: Chinese Agriculture Charged With a Heavy Responsibility"]

[Text] The year 1989 will be a very unusual one for Chinese agriculture. To cool an overheated economy and control inflation, the CPC decided toward the end of last year to start with agriculture and strive for a bumper agricultural harvest in 1989 in order to provide more farm and subsidiary products to the market, thereby stabilizing prices and the economy. Hence, the once neglected area of agriculture has attracted extra attention in the few months from the end of last year to the beginning of this year, which has brought about opportunities for changes as well as pressure on agricultural development.

**The Whole Country Shows Great Concern for Agriculture**

China's agriculture has stagnated for 4 successive years since 1984. The total output value of agriculture amounted to 530 billion yuan in 1988, an increase of 2.5 percent, which is only one-seventh of the growth rate of industry. Of the major agricultural and sideline products, except for livestock and aquaculture, the output of grain, cotton, and oil-bearing crops decreased, some by a fairly large margin. The total output of grain dropped by nearly 9 million metric tons, or 2.3 percent, and failed to reach the targeted 400 million metric tons; while cotton output was 4.06 million metric tons, down by 4.3 percent, or nearly 2 million metric tons less than the record figure of 1984. The output of oil-bearing crops decreased by 2.43 million metric tons, a relatively large margin of decrease in recent years. What is even more serious is the drastic rise of the population in the past 4 years. According to Bulletin No 1 issued by the State Statistics Bureau this year, China's natural population growth rate was 15.73 per 1,000 in 1988, the highest rate since 1975. The Chinese population is expected to exceed 1.1 billion between March and April 1989, which will impose an even greater strain on the supply of farm and subsidiary products.

Agriculture's utmost importance in China's economic development is dictated by the basic national condition of a vast population. A review of the decade-long reform shows that it is by no means accidental that the CPC Central Committee selected rural areas to start the reform. As if a historical coincidence a decade later, the countryside has again become the key link for solving China's current economic problems.

—The 3d Plenary Session of the 13th CPC Central Committee, convened last October, decided to focus the economic work on winning a bumper agricultural harvest in 1989 while improving the economic environment, rectifying the economic order, and strengthening the reform in an all-around manner for the next 2 years.

—After analyzing the grim situation facing agriculture, the national rural work conference held last November objectively revised the previous biased views in understanding the issue of agriculture, and decided to build the momentum for agricultural development by taking policy, scientific, and technical measures, and especially by increasing investment. After the conference, the CPC Central Committee and the State Council worked out a 10-point decision for achieving a bumper agricultural harvest in 1989.

—At the annual national planning conference, called to map out arrangements for the national economic development plan, state leaders emphasized the necessity of giving top priority to agriculture in arranging the 1989 economic plan, and called on all trades and professions to support agricultural development.

—Major economic plans and policy decisions made at a number of meetings called by the relevant ministries and commissions and various provinces, municipalities, and autonomous regions throughout the country toward the end of last year clearly indicated the special importance attached to agriculture....

Suddenly agriculture has become the country's focus of attention.

#### It Is Rather Difficult To Fulfill the Targets

According to the hard indexes set in the state plan, Chinese agriculture is charged with the following concrete tasks in 1989: The total output of grain is to reach 410 million metric tons; cotton, 4.5 million metric tons; oil-bearing crops, 16 million metric tons; sugar crops, 65 million metric tons; cattle and fish, 23.4 million metric tons; poultry and eggs, 6.8 million metric tons; dairy products, 4.5 million metric tons; and aquatic products, 11 million metric tons. In order to meet the demands of the more than 1 billion Chinese people, these indexes should not be high. However, compared with last year's output, grain should increase by 3.5 percent; cotton, 10.7 percent; oil-bearing crops, by 25.7 percent; and sugar crops, by 7.1 percent. These tasks are rather difficult.

China's grain output has increased by nearly 100 million metric tons during the decade of reform. This figure represents more than 50 percent of the total increase of the world's grain output during the corresponding period. However, the level of per capita grain in China remains rather low. The rapid development of the processing industry in the past decade has exhausted a large amount of grain and turned China from a net exporter into a net importer of grain in 2 years. (China's net import of grain amounted to 16 million metric tons during the 1987-1988 period.) Deng Xiaoping said a few years ago: Should China encounter twists and turns in the issue of grain, it will be impossible to overcome them within a couple of years. Since then, leaders at all levels have achieved a common understanding that under the new situation, agriculture is still the foundation of the national economy. The fundamental position of agriculture should by no means be changed because of a big advance in industry, and problems in agriculture are by no means settled because the peasants have basically enough to eat and to wear, and an increase in income.

#### A Serious and Rather Difficult Situation

Despite the great attention given to agriculture by central and local departments, there are still many obstacles hindering an agricultural bumper harvest for this year.

First, although various Chinese localities have tried their utmost to increase investment to build up agricultural capability to resist natural disasters and develop farmland, the investment has not yielded immediate results. The efficiency of water conservancy facilities in particular has seriously declined because of improper maintenance

and repair. In view of the universal deterioration of river dykes, it would be dreadful to contemplate the consequences should a major natural disaster occur. Moreover, the shortage of petroleum and other energy resources this year will aggravate the short supply of oil and electricity needed for resisting natural disasters. According to information released by plant protection departments, last year's warm winter, a possible indication of pests, is an ominous sign for achieving a bumper harvest this year.

Second, the pricing policy, which has led to a relatively marginal profit in growing grain crops and has damped the peasants' production enthusiasm, remains a major factor restricting this year's agricultural production. Even though the central authorities have decided to appropriately increase the purchase prices of four major agricultural products this year, the margin of increase is too small to stimulate the peasants' production enthusiasm. Furthermore, the soaring prices of the means of production will mean even less profits for the peasants in growing grain. Therefore, the irrational purchasing and marketing system and pricing policy remain the major factors impeding China's agricultural development.

Third, problems remain in the supply of some of the means of agricultural production. The exclusive management system of chemical fertilizers, plastic sheets for agricultural use, and insecticides, introduced by the government toward the end of last year, has both merits and demerits. Judging from the practice over the past few months, there have been quite a few alarming phenomena such as production stoppages in some small chemical fertilizer plants, rising prices in spite of the exclusive management, and lack of coordination between supply and demand. If these new problems are not promptly resolved, they will inevitably affect this year's agricultural production.

The above difficulties have cast a dark shadow on this year's harvest.

#### With Good Measures, a Bumper Harvest Can Be Expected

This year's major actions to promote agriculture are as follows:

—Increasing agricultural investment: While the scale of capital construction is curtailed in all other sectors throughout the country, the governments and financial institutions at various levels have decided to increase investment in agriculture. The central authorities have decided to increase investment in agricultural capital construction by 370 million yuan and will set aside some money for supporting agricultural production from the tax collected from village and town enterprises and rural private enterprises and the tax levied on farmland used for nonfarming purposes. The Chinese Agricultural Bank and the credit cooperatives will increase this year's agricultural loans by 18 billion

yuan. This, plus the originally planned 80 billion yuan, will bring the total amount of agricultural loans to nearly 100 billion yuan. In granting loans, they will give priority to such farm and stock-breeding projects as the production of grain, cotton, cooking oil, meats, poultry, and milk, as well as projects for building commercial grain production centers. A number of provinces, municipalities, and autonomous regions have said that they will rely more on local funds and rural accumulation for agricultural investment. They have also proposed that a greater part of their local reserve financial resources be used for agriculture. For example, Sichuan Province has decided to increase agricultural investment by 20 million yuan this year, using local financial resources. In addition, it will take 70 million yuan out of its extrabudgetary funds to establish an agricultural development fund. To date, 132 million yuan have been made available for the province's agricultural development and cooperation fund. Qinghai Province has decided to use 20 million yuan annually to develop farmland resources, beginning this year.

—Adjusting certain policies: The Chinese Government has decided to make some adjustments this year in the purchase policies for grain, cooking oil, fat, and oil-bearing seeds, as well as the prices of these items. The price of grain purchased by contract will be raised appropriately, while the price of grain not covered by purchase contracts will no longer be controlled. As for certain varieties of cooking oil, fats, and oil-bearing seeds that are in short supply, their prices may also be raised as appropriate. These price adjustments will inspire peasants' enthusiasm to grow grain and oil-bearing crops.

—Increasing the supply of the means of agricultural production: The supply of the principal means of agricultural production will be increased this year. According to this year's plan, the total output of chemical fertilizers will exceed that of last year by about 5 million metric tons, plastic film for farm use by 60,000 metric tons, and pesticides by 20,000 metric tons. This will alleviate the shortages of the principal means of agricultural production to a certain extent this year.

Recently, the Chinese Ministry of Agriculture, which is specifically responsible for leading and managing China's agricultural production, held a meeting attended by the officials concerned at various levels. As a result of this meeting, a program for implementing the 1989 agricultural production plan was worked out after a study of the issue. Major measures specified in the program are as follows:

1) Efforts will be made to reclaim wasteland that can be used for farming. Grain fields will be expanded by 20 million mu, a higher multiple crop index will be attained, and every effort will be made to restore high yield crop acreage to the 1988 level. Moreover, a higher per mu yield

will be achieved for all crops. For grain, every effort will be made to achieve a yield of 245 kilograms per mu. For cotton, oil-bearing seeds, and sugar-producing crops, the yield will be raised to match the highest record in the past.

2) Efforts will be made to popularize advanced agricultural technologies, strengthen the forecasting of plant diseases and insect pests, improve service with regard to the use of farm machinery, and carry out on an extensive scale the "bumper harvest program," which has been in practice since 1987. This year, through 19 special projects, it is planned to increase the output of grain by 2.85 million metric tons and cotton by 51,000 metric tons. The acreage of intercropping will be expanded by 30 million mu, the acreage of hybrid rice by some 6 million mu, and the acreage of various kinds of fine strain crops by 52 million mu. Some 80 million mu of land that gives only low or moderate yield will be transformed into high yield fields.

3) Continued efforts will be made to build grain and cotton production centers. In particular, this work will be carried out in those localities where grain and cotton production has declined. Last year a fairly big drop in grain production appeared in Henan, Hunan, Hubei, Anhui, Shandong, Heilongjiang, Sichuan, Guangxi, and Guangdong. Most of these localities are major grain producing areas. If this year's grain output in these areas is brought back to the 1987 level, it will be very hopeful for the nation to achieve a high record of agricultural production.

4) Beginning this year, arrangements will be made to fully implement the "vegetable production program" to solve the problem of nonstaple food supply in urban areas and the "food and clothing program" for the purpose of speeding up the process of shaking off poverty and becoming better off in presently poor areas.

A gratifying situation has appeared in agricultural production. The wheat crop in the north is in excellent growing condition. The threat of drought, which has persisted for several months, has now been eased in most localities. Initial success has been achieved in the winter campaign for building irrigation projects. As we can expect, if all people in the country from the top down work in concert with one mind and if the weather is not too unfavorable, there will be much hope for a bumper harvest in 1989.

#### Article Views Fluctuations in Agriculture HK0303090689 Beijing JINGJI RIBAO in Chinese 21 Feb 89 p 2

[Article by Chen Hongyu (7115 4767 7183), Yang Qirong (2799 0796 2837), and Tang Renjian (0781 0088 0256); "Understanding Agricultural Fluctuations"]

[Text] The root of agricultural fluctuations lies in the fluctuations in agricultural input.

The periodic agricultural fluctuations repeatedly occur in our country.

We experienced 9 fluctuation cycles in the 35-year period from 1952 to 1987 and have entered the 10th fluctuation cycle since 1985 and each fluctuation cycle lasts only 4 years.

Of course, agricultural fluctuations are caused by many factors. Of the nine fluctuations, only two were caused by important changes in the structure and policies, the organization of people's communes and "fixing of farm output quotas for each household" since the 3d Plenary Session of the 11th CPC Central Committee. The former caused a reduction in production by a big margin and the latter has played a great role in increasing production.

The influence of the weather on agricultural production cannot be denied but its influence is not great. There was a reduction of 73.01 million tons of grain due to the weather from 1950 to 1986 and was equal to 0.82 percent of the accumulative gross output of grain in the same period and production increased by an accumulative total of 74.92 million tons, which amounted to 0.84 percent of the accumulative gross output. The economic analysis shows that the range of grain production of our country under the influence of the weather varies between 4.7 percent and 3.9 percent.

Let us have a look at the fluctuations of the productive forces. This analysis discloses that the effect of the area of land and of the fluctuations of the productive forces on agricultural fluctuations is not apparent while the effect of fluctuations of capital on agriculture reaches 41.4 percent. Therefore, basically speaking, the main reason for the drastic agricultural fluctuations is the fluctuations of investment, and the other factors play a part in making a stormy sea stormier.

**Agricultural fluctuations are the "engine" of the fluctuations of the national economy.**

Corresponding to the agricultural fluctuations, nine fluctuation cycles emerged in industry and eight fluctuation cycles were experienced in the national economy. Generally speaking, the industrial fluctuations are conditioned by the agricultural fluctuations and possess a magnifying effect. Practical investigation shows that although the agricultural fluctuations had been fairly drastic, the industrial fluctuations were even more drastic and that a small agricultural fluctuation could often cause a big industrial fluctuation.

Taking the period from 1973 to 1976 for example, agricultural fluctuation was only 4 percent but the fluctuation of the light industrial output value reached 10 percent and the fluctuation of the industrial output value amounted to 15 percent. In the nine fluctuation cycles, the average fluctuation range of the agricultural output value was 10.2 percent but the fluctuation range of light industry which used agricultural and sideline products as

raw materials reached 22.6 percent which was equal to 2.22 times that of agriculture, the fluctuation of the light industrial output value was 23.9 percent which was tantamount to 2.34 times that of agriculture, the fluctuation of the industrial output value was 29.3 percent which was equal to 2.87 times that of agriculture, and the fluctuation of the gross social output was 22.8 percent which was 2.24 times that of agriculture.

This is not hard to understand. Agriculture is the foundation of the national economy and it provides industry with raw materials, market, capital, and productive forces. Agricultural fluctuations destroy the normal proportionate relationships between industry and agriculture and after the effect of light industry is magnified, the stagnant and lagging industrial fluctuations result.

**The root of the fluctuations in agricultural investment lies in the "disease of slight betterment of industry."**

From above it can be seen that the stability of agricultural investment is no doubt the foundation of the stable development of agriculture and the national economy. The pity is that the actual situation is just the opposite.

From 1953 to 1986, there were 11 fluctuations in the agricultural investment of our country and the average range of the fluctuations reached 31.3 percent and was twice the average range of the fluctuations of the agricultural output value. Over the past few years, the state has reduced its investment in agriculture by a wide margin, and agricultural credit and peasants are starting to pursue the economic results of investment, thus making the investment problem more outstanding.

What is more important is that as a main measure for alleviating agricultural fluctuations, state investment, on the contrary, plays a part in increasing the range of agricultural fluctuations. Of the agricultural investments, state investment fluctuated the greatest and its average range of fluctuations reached 93.7 percent. When agricultural production only increased slightly, state investment dropped too early, resulting in an early decline in agriculture; input should have increased when agriculture began to decline but very often input increased only when agriculture dropped to the lowest point and therefore, the point of fluctuations was the deepest and the range of fluctuations was the greatest. Agricultural development as a whole slowed down.

The previous population slogan of this was "people did not attach sufficient importance to agriculture," "they insufficiently understood its fundamental position and importance," and so on. Nevertheless, people can't help asking why people's understanding has not improved a bit since they have 30-odd years of lessons.

As a matter of fact, having analyzed the economic structure of our country, we can see the defects at a glance. The economy as a whole is obviously divided into two completely different parts, agriculture and

industry, and the urban and rural areas. The main sources of state financial revenue are industrial and commercial taxes and the profits of state-owned enterprises. In the absence of financial independence, the government is to be run as an enterprise. So long as the agricultural situation improves slightly, out of interests, financial investment will naturally be concentrated on industry to the greatest extent. When agriculture drops to the lowest point and the proportion of the national economy is seriously out of balance, the loss will outweigh the gain if capital is invested in industry. It is undoubtedly logical to increase agricultural investment at this time.

**The low efficiency of industry is the general "root cause of the trouble" in the national economy.**

The seriousness of the problem lies in that increased state investment in industry does not bring about increased economic results. In the initial period of industrialization in 32 countries whose situation was much like our's, the ratio between industrial and agricultural investments was roughly 3.8 to 1 and the ratio between industrial and agricultural growth was more or less 3 to 1; whereas the ratio between the industrial and agricultural investments of our country was 6.4 to 1 and the ratio between industrial and agricultural growth was only 2.8 to 1.

Over the past 30-odd years, the our agriculture has provided our country and industry an input, totaling

some 600 billion yuan, but by 1987, the original value of the fixed assets of all state-owned industrial enterprises throughout our country was less than 700 billion yuan. This means that the accumulative ability of industry was very poor and its economic results very low.

To enable industry with low efficiency to have a rational rate of growth, we must inevitably rely on capital to accumulate the value. This is one of the causes for the "overheating" of our industrial capital construction. Capital surely comes from agriculture, thus resulting in our country not only adopting a policy of increases to industry regarding direct investment but also adopting a policy of low prices in the prices of agricultural and sideline products.

Under the dual restrictions of increased investment and prices, the foundation of and momentum in agriculture are weakened and drastic agricultural fluctuations are unavoidable. Agricultural fluctuations will in turn cause bigger fluctuations in industry and the national economy. We have to carry out adjustment of the national economy time and again.

To bring about a radical change in the situation, we must put industry in a correct relationship to agriculture with regard to structure and make a stride forward in deepening the reform of the structure.

### Central-South Region

#### Influx of Laborers Into Guangdong Said Continuing HK0103150289 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 1 Mar 89

[Text] Reporters were told by the general office of the provincial government during a news briefing this morning that the influx of laborers from other provinces into Guangdong since the Spring Festival is now continuing, although the climax has passed. At present, some 16,000 laborers leave the province each day to return to the north but, at the same time, some 15,000 flock into the province each day. In this connection, the provincial government demands that local governments at lower levels and the communications departments concerned continue to do their best to provide transport facilities so that the laborers coming from other provinces can leave Guangdong promptly.

It is reported that although the number of laborers staying at Liuhuo District of Guangzhou has now decreased, the situation has not improved substantially since hundreds of thousands of laborers are moving to other areas of the province.

The provincial government urges local labor and public security departments to take action to see that the instruction adopted by a recent telephone meeting held by the provincial government is strictly implemented, so that no enterprise will employ laborers from other provinces. Disciplinary action shall be taken against the responsible persons of any enterprises which are found violating this instruction.

The railroad transport departments have already arranged transport facilities to ensure that laborers from other provinces will leave the province quickly without trouble.

#### Guangdong People's Congress Session Opens 2 Mar HK0203052389 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 2 Mar 89

[Excerpts] The second session of the seventh Guangdong Provincial People's Congress opened in the Zhongshan Memorial Hall, Guangzhou, this morning. Executive Chairman Luo Tian declared the session open. [passage omitted]

Governor Ye Xuanping delivered a report on the work of the government. This was in three parts: 1) review of work in 1988; 2) take a correct view of a number of problems on the road of advance; 3) the work tasks for 1989.

On the current situation, Governor Ye Xuanping said: The main tasks in government work in 1989 are to improve the economic environment, rectify the economic order, comprehensively deepen the reforms, steadily develop the economy, and ensure that price rises are markedly lower than last year's.

Governor Ye stressed in conclusion that 1989 is the 40th anniversary of the founding of the PRC. Let us greet this anniversary with achievements in reforms and construction. [passage omitted]

#### Governor Notes Higher Inflation OW0303084189 Beijing XINHUA in English 1607 GMT 2 Mar 89

[Text] Guangzhou, March 2 (XINHUA)—The retail consumer price indexes for 1988 in South China's Guangdong Province rose to 30.2 percent, the province's highest inflation rate since the founding of New China in 1949, Governor Ye Xuanping announced today.

The figure is markedly higher than the national average—18.5 percent.

The index for foodstuffs in Guangdong went up to 34 percent last year, Ye said in a report delivered to the second session of the Seventh Provincial People's Congress, which opened today.

The annual net income for farmers increased by a mere 2.7 percent, while that for urban dwellers decreased by 7.7 percent, as a result of price hikes.

Panic buying sprees erupted in the province last year, sparked by rumors of price increases for household electrical appliances and salt.

The governor outlined four major reasons for the price hikes: over-heated economic development, too much investment in fixed assets, excessive growth of consumption funds and poor government management of commodity circulation.

Meanwhile, the natural population growth of Guangdong topped 15.5 per thousand, surpassing the quota by three percent.

At the same time, the province's grain output last year totalled 16.36 million tons, 650,000 tons less than the previous year's figure.

In the face of these problems, Ye called on all departments to give priority to agriculture, especially grain production, in an effort to increase the output of grain by 12.7 percent in the next decade.

Summarizing the substantial achievements the province scored last year, Ye said the gross industrial and agricultural output value of Guangdong in 1988 surpassed 175.54 billion yuan, 29.6 percent over the previous year's figure.

The output of light industrial products, foodstuffs, household electrical appliances and chemicals increased by a big margin.

3 March 1989

## REGIONAL AFFAIRS

Compared with 1987, foreign investment in the province in 1988 went up by 54.7 percent and its total export value increased by 35.4 percent, to reach 7.337 billion U.S. Dollars-worth.

Infrastructure construction has been completed or is well under way in some key industrial cities such as Zhanjiang, Shekou and Jiujiang.

Meanwhile, in his report to the meeting, Director of the Provincial Financial Department Lin Dengyun said Guangdong reaped 10.4 billion yuan of revenue last year, two billion yuan more than the budget of the fiscal year.

Lin attributed the increase to a sustained rapid growth of industry and improved tax collection.

**Lin Ruo, Others Attend Guangdong CPPCC Session**  
**HK0103085689 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 1 Mar 89**

[Text] The second session of the sixth provincial CPPCC Committee opened solemnly in Guangzhou this morning. Present at today's opening session were a total of 674 provincial CPPCC Committee members from various cities, prefectures, and counties throughout the province and from Hong Kong and Macao. Provincial CPPCC Committee chairman Wu Nansheng presided over the opening session.

Delivering a work report on behalf of the standing committee of the sixth provincial CPPCC Committee, Zheng Qun, vice chairman of the provincial government [as heard], noted: We must give fuller play to the basic functions of the provincial CPPCC Committee now and in the future, step up our efforts to turn consultation and supervision into a regular, systematic, and legal procedure, and make the province's essential decisionmaking process a more democratic and scientific one. During this year and the next, with regard to consultation and supervision, we must focus on efforts to improve the economic environment, rectify the economic order, and carry out the reform in depth. We must also encourage members of the provincial CPPCC Committee to report anomalies to the authorities so as to assist the party and the government in sternly dealing with all cases of violation of laws and discipline and in promoting an honest and clean administration.

During the opening session, (Wei Junpei), vice chairman of the motions processing committee of the provincial CPPCC Committee, gave a report on the processing of motions submitted since the first session of the sixth provincial CPPCC Committee.

Responsible comrades of Guangdong Province Lin Ruo, Ye Xuanping, Wang Ning, Guo Rongchang, and Luo Tian attended the opening session and extended warm congratulations to the provincial CPPCC Committee on the opening of the session.

**Guangdong Governor on Upcoming Conscription Work**  
**HK2802070989 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 27 Feb 89**

[Excerpts] This year's conscription work of our province will start on 1 March.

The following is a radio talk given today by Governor Ye Xuanping on the fulfillment of the conscription task:

[Begin recording] Compatriots, this year's conscription is about to start. In accordance with the orders issued by the State Council and the Central Military Commission, beginning on 1 March, our province will call up a certain number of young people old enough to join the PLA and the people's armed police force. This is of great significance to building a strong national defense, safeguarding the four modernizations and maintaining world peace. Party and government organs, the industrial, agricultural, education and trade circles and all walks of life of our province must go into immediate action to resolutely execute the military service law and regulation regarding conscription and fulfill the conscription task by guaranteeing both quality and quantity according to qualifications and requirements for enlistment. [passage omitted]

This year's conscription falls right in the midst of the busy season of spring plowing. People's governments at different levels must adopt effective measures, make overall arrangements and work out rational plans so that neither conscription work nor economic construction is to suffer. Propaganda organs must pay attention to national defense education among the whole people and strengthen ideological work in conscription work. Public health departments must ensure the quality of medical checks for conscripts. Public security offices must guarantee the political quality of new recruits. Communications departments must provide sufficient transport means for the shipment of new recruits. [passage omitted] [end recording]

**Guangdong Official Stresses Grain Production**  
**HK0103145489 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 1 Mar 89**

[Text] Provincial party committee Deputy Secretary Guo Rongchang delivered a speech at the Guangdong provincial conference on spring farming yesterday afternoon. He emphasized that leading comrades at all levels should attach greater importance to agricultural production and strive for a record height of grain output this year.

Guo Rongchang said: Leading comrades of all cities and counties must take their local circumstances into consideration, find out their weaknesses, take remedial measures in good time, and introduce the high-yield field project that has proven successful at certain spots into other villages, townships, towns, and counties in the

province. At the same time, it is necessary to take more care of deserted farmland, make every effort to expand the growing area, and pay more attention to raising per-unit-area yield.

Guo Rongchang also reiterated the necessity of strengthening farm management, financial management, and contract management; expanding the sowing area of hybrid rice; and finishing spring plowing and cultivation in good time.

**Guangxi Urges Increased Chemical Fertilizer Output**  
*HK0203060989 Nanning Guangxi Regional Service  
 in Mandarin 1100 GMT 1 Mar 89*

[Excerpts] In order to strive for a bumper harvest in grain production this year, the regional Petrochemical Department has called on all chemical fertilizer plants of our region to target this year's chemical fertilizer production for 370,000 tons. The call was made at a recent regional petrochemical work conference.

Since last October, the average monthly output of the region's chemical fertilizer has dropped from 180,000 tons to 120,000 tons due to the short supply of power, raw materials and circulating funds.

To cope with such a situation, the regional Petrochemical Department has adopted three measures. 1) Power and coal will be rationed to chemical fertilizer plants and higher quotas allotted to high-yield plants. [passage omitted] 2) Business management of enterprises must be strengthened, with the emphasis on saving energy and reducing power consumption. [passage omitted] 3) Vigorous efforts must be made to make up deficits and increase surpluses to solve financial difficulties that enterprises are facing. [passage omitted]

**Henan Urges Peasants Not to Flock to Guangzhou**  
*HK0203054989 Zhengzhou Henan Provincial Service  
 in Mandarin 2300 GMT 1 Mar 89*

[Text] Since the Spring Festival, some 100,000 people have been flocking into Guangzhou every day. As many as 8,300 have been traveling by train to Guangzhou every day from Zhengzhou, Xuchang, Luohu, Zhuradian, and Xinyang railroad stations in Henan. Some of them already have jobs there, but the great majority are peasants going there to seek work. After arriving in Guangzhou, these people get into difficulties because they cannot find work and lack room and board.

The Guangdong Provincial Government recently made urgent arrangements to send back to their home towns people who blindly flocked into the province. In recent days the Henan Provincial Government has used news sheets to distribute this news to all prefectures and cities, in the hope that these areas will do a good job of

conducting propaganda for the masses and remind people that they cannot blindly flock to Guangzhou to look for work. If they do, local spring farming will be delayed and money wasted.

**Henan People's Congress Standing Committee Meets**

**Governor Views Situation**

*HK0203115089 Zhengzhou Henan Provincial Service  
 in Mandarin 1030 GMT 28 Feb 89*

[Excerpts] When delivering a report on the implementation of the responsibility system for attaining given objectives in management work in 1988 at the eighth meeting of the seventh provincial People's Congress Standing Committee yesterday afternoon, Governor Cheng Weigao pointed out: [passage omitted] The growth rate of industrial production in 1988 was comparatively high and its economic results were relatively better than before. A simultaneous rise was recorded in growth rate, quality and economic returns and there were also substantial increases in the province's financial revenue. This is quite encouraging. We must, however, be clear-headed and see that the growth rate and economic returns were achieved to a great extent at the cost of excessive demand and price increases. Viewing industrial production of last year in an all-around way, we must say that a feeling of joy is mixed with worries. Last year the agricultural production of our province suffered serious natural disasters. The gross grain output in 1988 was lower than the previous year but it still increased by 550 million kg if compared with 1986, a year overtaken by appalling natural adversities. What is most gratifying is that agricultural production in seven cities and prefectures of our province did not come down but went up thanks to excellent work in irrigation and water conservation in spite of severe natural disasters. I think that through several years of unremitting efforts, agriculture in our province is full of promise. [passage omitted]

Last year the natural population growth rate continued to rise and the situation has become very harsh. The provincial government has decided to strengthen leadership over the work and adopt resolute measures and is determined to reduce the natural population growth rate this year. Generally speaking, social order throughout the province is now stable. But the situation in social order is relatively stern and serious crimes directly wrecking economic construction pose a threat. The situation can be described as one in which stability is beset by hidden dangers. By concentrating all forces and coordinating the efforts of all quarters concerned, we must strive to ensure that social order this year will be better than last year. [passage omitted]

Governor Cheng Weigao noted: Through a year of practice, we have come to understand that it is absolutely necessary to institute the responsibility system for attaining given objectives in management work and reform the management system of government work. The successful

implementation of the responsibility system for attaining given objectives in management work has increased the cohesive strength of leading bodies, changed the work style of cadres, increased the visibility of government work, helped strengthen macroscopic regulation and control over the establishment of a new order in the socialist commodity economy, and promoted the development of economic construction and other social undertakings. [passage omitted]

**Leaders Report Work Performance**  
*HK0203032989 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 1 Mar 89*

[Excerpts] At the Eighth Meeting of the Seventh Henan Provincial People's Congress Standing Committee on 1 March, Vice Governors Song Zhaosu, Hu Tiyun, Yu Youxian, and Liu Yuan reported on the fulfillment of targets in their sectors of responsibility during 1988, for consideration by the Standing Committee. [passage omitted]

Song Zhaosu said: Last year the province's rural social output value was 72.4 billion yuan, a rise of 9.7 percent over 1987. This included agricultural output value of 35 billion yuan, a drop of 5 percent. Nonagricultural output value was 37.4 billion yuan, and average net peasant income was 401 yuan, respectively 24 percent and 6.2 percent higher than in 1987. [passage omitted]

He said: The township and town enterprises developed relatively rapidly, but crop cultivation was not very good. There was quite a big drop in grain and oil production, and the predicted targets were not achieved. We are resolved to achieve a relatively good year in agriculture in 1989.

Vice Governor Hu Tiyun focused on reporting on the achievement of targets in straightening out the province's window areas, and on other work. He said: At the beginning of last year, the provincial government first got a vigorous grasp of improving and rectifying the area around Zhengzhou railroad station. The improvements carried out there have provided experiences for tackling problems in a comprehensive way in the province's window areas. The province has now straightened out over 100 railroad stations, 300 bus stations, and 1,000 trading markets. There has been improvement in the dirty, confused, and poor state of these window areas.

Last year the province cracked a number of criminal cases, particularly big cases. The detection rate reached 78.9 percent. [passage omitted] The task of improving social order remains very heavy, and the whole of society must work together to tackle the problems in a comprehensive way.

Vice Governor Yu Youxian reported on the fulfillment of targets in science and technology, education, culture, public health, and family planning. [passage omitted] On family planning, he said that the province's birth rate has

risen for 3 successive years since 1986, and last year it again exceeded the target set by the state of a 12 per 1,000 natural population growth rate. The actual rate was 15.6 per 1,000, and the year's population control figure was exceeded by 510,000. The situation is extremely grim. [passage omitted]

Vice Governor Liu Yuan reported on performance in the industrial, communications, posts and telecommunications, technological transformation, urban and rural construction, and civil defense sectors, for which he is responsible. He said that last year the output value of industry at and above the township level was more than 44 billion yuan, a rise of 16.7 percent over 1987. Financial revenue was 6.9 billion yuan. In both cases the targets were overfulfilled. [passage omitted]

Liu Yuan said that he completed two of the three key projects assigned him by the provincial government last year. The unfulfilled project was housing reform. He completed 12 and basically completed 5 out of 18 major work items assigned him. The unfulfilled one concerned administrative interference and indiscriminate imposition of fees and charges, raising of funds, inspections, and collection of money. After analyzing the problems in work, he expressed resolve to seriously make improvements in future work.

**Henan Warns on 'Population Explosion'**  
*HK0203045189 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 1 Mar 89*

[Station reporter's commentary: "Sound the Alarm for the Menace of Rashness"]

[Excerpts] [Passage omitted] Although Henan has achieved some success in family planning work in recent years, this has not curbed the dangerous momentum of excessive population growth. Last year, for instance, the province's natural population growth rate was as much as 15.6 per 1,000, representing an increase of 1.28 million. Henan now has more than 80 million people and has become the second most populated of China's provinces.

In recent years Henan has ranked fifth in the whole country in grain output and eighth in industrial and agricultural output value and national income. And it ranks below 20th in the per capita averages in these three indices. With a heavy population and poverty, economic construction and the ecological environment have to endure tremendous pressure.

According to calculations, China's increased population each year consumes about 20 percent of the increased national income for the year. It appears that matters in Henan are even worse in this respect. Take food, the most important thing. China's total grain output 10 years ago was 400 million tons, a per capita average of

400 kg. According to the present population growth rate, even if grain output rises to 500 million tons in 10 years, this will still be a per capita average of 400 kg. [passage omitted]

We must not suffer poverty, and still less can we pass on poverty to posterity. In the face of the burgeoning third peak birth cycle in Henan, we must hold fast the defense line of family planning.

History has not left us much time to correct mistakes on the population issue. Implementing the national policy brooks no delay. Population control is imperative. Through persistent, forceful, and effective family planning work, we must prevent the tragedy of a population explosion.

**Hubei Secretary Stresses Political, Economic Work**  
*HK0203113489 Wuhan Hubei Provincial Service*  
*in Mandarin 1000 GMT 1 Mar 89*

[Excerpts] To find a way for party committees to implement the principle of promoting socialist commodity economy on the one hand and strengthening ideological and political work on the other, provincial party committee Secretary Guan Guangfu conducted a survey in Xiaogan Prefecture from 19 to 23 February. He demanded that party organizations at all levels throughout the province resolutely implement this principle put forth by the CPC Central Committee. [passage omitted]

Guan Guangfu said: No perfunctory work is tolerable in the drive to improve the economic environment and to rectify the economic order. And we must not misinterpret the principle of improvement and rectification, tie up our own hands, and thus suffocate the economy. Instead, we must take our own circumstances and favorable conditions into account, and try to find a way to maintain good economic results and a fair growth rate while implementing the principle of improvement and rectification.

Guan Guangfu said: In attempting to cool down the overheated economy, we mean to curtail those nonproductive projects that are not feasible on the basis of our available resources and to cut the projects that may result in poor, slow, and bad results at the expense of tremendous waste. [passage omitted]

Comrade Guan Guangfu said: An essential point in the development of the commodity economy is that it is necessary to devote great efforts to agriculture. It is necessary to overcome the tendency of overlooking the importance of agriculture, especially the production of grain, cotton, and oil-bearing crops, and other farming, and it is necessary to deal with the stagnation in grain and cotton production. In rural areas, we must continue to improve and strengthen double-tier management, namely, to stress economic development at the village level while promoting the household economy. [passage omitted]

During his survey, Guan Guangfu has devoted much attention to finding out the current state of party-building and the development of spiritual civilization. He said: We must conscientiously find a way to properly implement the principle of promoting economic development while paying attention to political and ideological work. The key to this effort lies in party-building. Only by doing a good job in party-building will we be able to give full play to our favorable conditions in the political aspect and to ensure the smooth progress of the reform, the opening up process, the drive to improve the economic environment and to rectify the economic order, and the four modernizations program.

Guan Guangfu participated in an unofficial discussion meeting with party committee secretaries of (Yangdian) and (Sancha) towns and six village party branch secretaries. Addressing the discussion meeting he said: The core of the development of grass-roots party organizations in rural areas lies in the introduction of the competition mechanism. There are talented people in rural areas and the masses are capable of discovering them. So long as we can strengthen leadership and give the masses a free hand in selecting the right men, leaders with high ability who enjoy the masses' support will emerge. [passage omitted]

Guan Guangfu emphasized: The development of an honest and clean government is an important part of party-building. To develop an honest and clean government we must start by implementing the principle of two opennesses and one supervision [liang gong kai yi jian du]. [passage omitted]

**Hubei Official Urges Maintaining Social Order**  
*HK0203044789 Wuhan Hubei Provincial Service*  
*in Mandarin 1000 GMT 28 Feb 89*

[Excerpts] A provincial meeting to recognize and commend outstanding policemen and advanced collectives on the Hubei provincial public security front was solemnly held in Wuchang this morning. Guan Guangfu, Guo Zhenqian, Zhao Fulin, Qian Yunlu and other provincial party and government leaders attended the meeting. [passage omitted]

The Ministry of Public Security specially sent a message of congratulations to the meeting. [passage omitted]

Speaking at the meeting, Zhao Fulin, provincial party committee deputy secretary, called on public security organs at different levels to establish the idea of waging a protracted struggle against crime and accomplishing something; continue to adhere to the principle of striking smashing blows at serious criminals; energetically promote and improve the system of guarding against crime in society; and strive to reduce criminal cases, accidents and losses to the minimum. They were also called on to get a clear understanding of the situation to increase the capability of ironing out different kinds of social contradictions, work hard to probe into new ways and methods

of combining specialized work with the mass line under the new situation, strengthen the work of making a clean and honest administration and make continuous efforts to enhance their quality. Meanwhile, party committees and governments at various levels must exercise more leadership over public security work and create more conditions for public security work.

**Hunan Leaders View Current Problems, Tasks**  
*HK0103011189 Changsha Hunan Provincial Service  
in Mandarin 2300 GMT 28 Feb 89*

[Excerpts] The provincial government convened a plenary meeting on 28 February. Xiong Qingquan, secretary of the provincial party committee and former governor, put forward his sincere hopes regarding government work. Acting Governor Chen Bangzhu outlined current work arrangements. Provincial party and government leaders Xiong Qingquan, Chen Bangzhu, Wang Xiangtian, Yang Huiquan, and Zhuo Kangning, and responsible comrades of the provincial government organs attended the meeting. [passage omitted]

Xiong Qingquan said: In the future Comrade Bangzhu will exercise all-around leadership over the provincial government's work. The provincial party committee will vigorously support Comrade Bangzhu's work and support the comrades of the provincial government in boldly carrying out their responsibilities.

Xiong Qingquan also gave his own views on the future work of the provincial government. He said that this is the first year of implementing the guideline on improvement, rectification, and all-around deepening of reforms. The guideline on improvement, rectification, readjustment, and reform is in fact a guideline for stability, meaning stabilizing the economy, the markets, prices, and people's minds. We must therefore take a positive approach to doing a good job in improvement and rectification. We must also handle properly the relationship between stability and reform and between stability and development.

In implementing the guideline on stability, it is first necessary to have stable policies. All basic policies that are effective and help to develop the socialist productive forces can only be stabilized and not changed. We must also do everything possible to promote agricultural production and the output of daily essentials this year. The only way to effect a radical cure is to develop production and increase effective supply.

Chen Bangzhu then spoke. He focused on three issues in conjunction with the current actual conditions in the province:

1. It is essential to step up education in the situation.  
[passage omitted]

2. In our current work, we must first devote great effort to grasping improvement and rectification, and second, focus on solving the problem of capital. In addition, we must get a good grasp of current industrial and agricultural production. [passage omitted]

3. Strengthen the work of building clean government and improving work style. The governments at all levels must regard strengthening building clean government and launching the struggle against corruption as a major task this year.

**Southwest Region**

**Sichuan Secretary Speaks on Party Building**  
*HK0303072889 Chengdu Sichuan Provincial Service  
in Mandarin 2300 GMT 2 Mar 89*

[Text] At a provincial discipline inspection work conference yesterday, provincial party committee Secretary Yang Rudai delivered an important speech on strengthening party-building and other issues.

Comrade Yang Rudai pointed out: Party-building must have a very important place in our work. In strengthening party-building, we must pay adequate attention to strengthening the party ideologically and organizationally, improving party work style and increasing the cohesiveness of the party. At the same time, we must pay attention to improving party leadership and increasing the party's appeal among the people. Party committees at different levels must care about party affairs, build the party with strictness and free themselves from the day-to-day work to attach importance to party leadership over major policies, political leadership, and party-building.

Comrade Yang Rudai emphasized: To strengthen party-building, top priority must be given to the work of keeping honest in performing official duties. To achieve it, first, leading bodies and leadership cadres must set an example. Second, the work of keeping honest in performing official duties must be combined with the building of the ranks of cadres and continuous efforts must be made to raise the quality of functionaries of party and government organizations. Third, all cases of violating the law and discipline among functionaries of party and government organizations must be thoroughly investigated and seriously handled, with the focus on the battle against corruption and bribery, and corrupt elements must be resolutely cleared out. Fourth, the relevant systems must be instituted to reduce and get rid of soils breeding corrupt phenomena. Fifth, the supervisory system must be established and improved to exercise strict supervision over party and government organizations and their functionaries. Six, improvement must be made in a comprehensive way.

Comrade Yang Rudai hoped that party members on all fronts and posts will strive to play an exemplary role in keeping their hands clean. He continued: In improving the economic environment and rectifying the economic order,

party discipline should be truly enforced and the role of discipline inspection work must be brought into full play. Discipline inspection commissions at different levels must make untiring efforts to educate party members with party discipline and strengthen the sense of discipline among comrades of the whole party. Around the central task of improving the economic environment and rectifying the economic order, discipline inspection commissions at all levels must conscientiously investigate and deal with cases of violating the law and discipline in the party. They must also help party committees improve party work style, with the emphasis on combating corruption, and actively organize and coordinate prosecution and supervision departments at different levels under the leadership of party committees so as to give full play to the mechanism of supervision as a whole.

Comrade Yang Rudai concluded: Party committees at different levels must value and support discipline inspection work and help discipline inspection departments remove difficulties and obstacles they are confronted with in their work so that the discipline inspection department will be able to give full play to their functions of exercising prosecution and supervision in the party.

The 6-day provincial discipline inspection work conference concluded yesterday. More than 270 representatives from discipline inspection departments of cities, prefectures, and autonomous prefectures and of organs at the provincial level attended the meeting. Xu Chuan, Song Baorui, Wang Ao, and other leading comrades also attended.

**Dalai Urged To Be Sincere in Talks**  
*HK0203133089 Beijing ZHONGGUO XINWEN SHE*  
*in Chinese 1400 GMT 1 Mar 89*

[“Spring Issue of CHINA’S TIBET Published and Distributed”—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 1 Mar (ZHONGGUO XINWEN SHE)—The spring issue of CHINA’S TIBET (for trial publication) which came off the press a few days ago carried a commentary entitled “On the Negotiations Between the Central Government and the Dalai Lama.” The commentary said: In consideration of the religious feelings of Tibetan lamas and laymen toward the Dalai Lama, the central government has agreed to hold negotiations with the Dalai Lama. When the Dalai Lama proposed the negotiations, the central government not only reiterated its attitude of welcoming the move, but also gave him the right to choose the time and place of the negotiations, fully indicating its sincerity in the matter.

Regarding the attitude of the central government on holding negotiations with the Dalai Lama, the commentary said: The Dalai Lama insisted on regarding the “new proposal” made in Strasbourg as the basis of the negotiations. The central government rejected the offer and adhered to Deng Xiaoping’s remark that everything can be negotiated, except the independence of Tibet. The

Chinese Government will never make any concession on the question of Tibet’s sovereignty. If the Dalai Lama wants to show his sincerity in the negotiations, above all, he should give up the propaganda-type dialogue as quickly as possible, carry out secret consultations, hold substantial discussions on matters of common interest, and not try to beat around the bush. In addition, he should remove all previous ill will and genuinely be concerned with the interests of the Tibetan people and the future of the Tibetan nationality.

The commentary pointed out: Another obstacle to the negotiations between the two sides is the meddling of foreigners. The press circles and the central government are on guard against this and have also expressed their worries.

The commentary wished: As one of the two principal religious leaders of Tibet, the Dalai Lama should go with the tide of historical development, cooperate with the central government’s policy toward Tibet, and offer more peace, tranquility, and happiness to his disciples.

Observers here believe that the commentary has manifested the attitude of the central government.

**CHINA’S TIBET**, which focuses on Tibet’s economy, culture, and social development today, is the first comprehensive magazine distributed abroad by the China International Books Trading Corporation. The first batch of the trial issue has been distributed to Hong Kong and more than 20 other countries.

**Eyewitness Recounts 1959 Tibet Rebellion**  
*OW0203143389 Beijing XINHUA in English*  
*1235 GMT 2 Mar 89*

[Text] Beijing, March 2 (XINHUA)—The rumor which triggered off the 1959 armed rebellion in Tibet was a fabrication by the local upper-class reactionary clique, a witness to the events said here recently.

The lie that the Hans (the majority Chinese) were going to kidnap the Dalai Lama was aimed at alarming the local people and preparing an armed rebellion, said Ngapoi Ngawang Jigme, vice-chairman of the Standing Committee of the National People’s Congress.

In an exclusive interview with XINHUA on the eve of the 30th anniversary of the incident, Ngapoi revealed what happened on March 10, 1959.

At 8:00 that morning, Lhasa was thrown into chaos when a rumor went around that the Hans were trying to kidnap the Dalai Lama by luring him into the headquarters of the Tibet Military Area Command (TMAC), recalled the vice-chairman, who is of Tibetan nationality himself.

Shocked and perplexed, he said, people surrounded the Norbulingka, summer residence of the Dalai Lama, to safeguard their spiritual leader, thus raising the curtain on the armed rebellion.

"As an eyewitness, I feel I have the responsibility to reveal the historical facts as they happened," he said.

Actually it was the Dalai Lama himself who asked to watch a performance by TMAC song and dance ensemble at its headquarters, Ngapoi said.

More than a month earlier, Ngapoi said, the Dalai Lama expressed the wish personally to see TMAC leading officers.

At 3 P.M. on March 9, 1959, an official of the United Front Work Department of the Communist Party's Tibet Working Committee told Ngapoi that the Dalai Lama had decided to watch the show the next day.

The Dalai Lama also asked officials of the Kasha—the local government institution—to wait for him at the headquarters auditorium, Ngapoi was told.

"This was abnormal," he said. Usually, Kasha officials had to gather at the Norbulingka first and then set out with the Dalai Lama for any destination, according to Ngapoi.

He recalled that at around six o'clock the same afternoon, Niuxar Tubdain Tarba, acting Kaloon (major Kasha official), telephoned him, saying that all Kaloons should gather at 9 A.M. on March 10 at the Norbulingka and then go with the Dalai Lama to the headquarters.

Ngapoi, then secretary-general of the Preparatory Committee for the Tibet Autonomous Region, said that on the morning of March 10 he first went to the office of the Preparatory Committee.

At around 10 A.M., Sampo Cewang Rinzin, deputy commander of the Tibet Military Area Command and Kaloon of the local government, was beaten and injured with stones on his way to the Norbulingka. A little while later, Soinam Gyagso, a member of the preparatory Committee, was beaten to death by the rebels at the gate of the Norbulingka.

Soinam Gyagso was the elder brother of Pagbalha Geleg Namgyai, now vice-chairman of the Chinese People's Political Consultative Conference National Committee.

Under such circumstances, the Dalai Lama didn't go to the headquarters for the performance. A rumor now spreading among some overseas Tibetans blames TMAC authorities for the Dalai Lama's failure to go to the performance since they had asked him not to bring local officials with him, except for a very few close aides.

"This is untrue," Ngapoi said. The headquarters had invited not only the Dalai Lama but also all Kaloons in the Kasha, the Dalai Lama's two canon teachers, and some "living Buddhas" and aristocrats.

The rebellion was not caused by the central government's policies either, Ngapoi said. Instead, it was schemed by a small number of reactionaries in the Tibetan upper class.

He said that in 1956 the central government decided not to carry out the democratic reform in Tibet for the next six years, and whether it should start six years later would depend on the attitude of the majority of the Tibetan people and local leaders.

Toward the end of 1956 and the beginning of 1957, when the Dalai and Panchen Lamas visited India for activities marking the 2,500th anniversary of the death of Sakyamuni, Zhou Enlai, the then Chinese premier, who was also visiting India, gave the Dalai Lama a letter from Chairman Mao Zedong, which told him of the central government's decision.

At that time, the Dalai Lama expressed total agreement with the decision, said Ngapoi, who was also in the visiting group.

The entourage of the Dalai Lama agreed that up to 1956 there had been no breach of the agreement on the peaceful liberation of Tibet signed between the central government and the Tibetan local government.

"Therefore," Ngapoi said, "I could see no reason for the 1959 rebellion."

The democratic reform immediately following the quelling of the 1959 rebellion has accelerated the social progress in Tibet, with the liberation of its people from serfdom and development of its economy, Ngapoi concluded.

#### Correction to Item on New Book on Tibet OW0303064689

The following correction pertains to the item headlined "Excerpts From New Book on Tibet Published" published in the 2 March China DAILY REPORT beginning on page 58, column one:

Page 61, column one, sourceline of Part Two reads: Beijing BEIJING REVIEW in English No 9, 27 Feb-5 Mar 89 pp 24-27 (correcting page numbers)

Page 63, column two, first paragraph, last sentence make read: ...parts of China also suffered. Now the catastrophe has passed, and the Party's... (supplying indistinct passage)

## North Region

### Correction to Item on Beijing Police Ceremony *WA0303175689*

The following correction pertains to the item headlined "Li Ximing at Beijing Police Rank Ceremony," published in the 23 February China DAILY REPORT beginning on page 67, column two:

Page 68, column one, first full paragraph of column, from line nine, reads: ...who were awarded the police ranks. At the same time...(changing "military" ranks to "police" ranks)

### Hebei Holds Financial, Tax Work Conference *SK0103000289 Shijiazhuang HEBEI RIBAO* in Chinese 31 Jan 89 pp 1,3

[Excerpts] At the provincial financial and tax work conference which concluded on 30 January, provincial Governor Yue Qifeng put forward the guiding principle for our province's financial and tax work for this year as the resolute implementation of the financial retrenchment policy and control of the inordinate demand for funds. With regard to revenue, we should meet the demand for pooling funds, ensure that revenue tasks are fulfilled, and strive to collect more revenue. With regard to expenditures, we should greatly reduce spending, arrange a rational order for spending, and adjust the distribution structure. Meanwhile, we should increase our ability for financial macro-regulation and control; successfully pool, distribute, and use funds; and increase the fund utilization rate to the maximum.

At the 5-day conference, the guidelines of the national financial work conference were relayed, the work in 1988 was summarized, our province's current financial and economic situation was analyzed, the tasks for this year's financial and tax work were clearly defined, and the measures that should be adopted were studied.

Provincial Vice Governor Ye Liansong presided over the 30 January session. Provincial Governor Yue Qifeng and Provincial Vice Governor Song Shuhua spoke.

After affirming that the province's financial and economic plans for 1988 were fulfilled, Yue Qifeng said that this year's financial and tax work remains very arduous, but there are many favorable conditions. He added that it is necessary to clearly understand the situation, unify thinking, and seize the favorable conditions to promote financial and taxation work. He called for efforts to carry out the following work emphatically.

A. We should exert great efforts to improve economic results and open up new financial resources. The keys to increasing revenues are merely growth rates and economic results. In the new situation, we should change our guiding principle from increasing revenues primarily through increasing investment, expanding scale, and

raising growth rates to one of doing so primarily through strengthening management, upgrading technology, and improving economic results. This is the basic way to increase revenues, overcome difficulties, and extricate ourselves from the straits we are in. [passage omitted]

B. We should rectify the tax collection order and strengthen management of tax collection to increase revenues. The current problems are: 1) the ever-increasing tax reductions and exemptions, which has a direct impact on revenues; and 2) universal evasion of state taxes. Tax evasion exists not only in individual, private, collective, and township enterprises, but also in state enterprises. The amount of taxes evaded reached 10 thousand, more than 100 thousand, and even several hundred thousand yuan. Some enterprises evaded taxes repeatedly despite being checked, and their problems remained unsolved. The key reason for these problems is the view of "benevolent government" held by many comrades. Therefore, on the one hand, we should strengthen the collection and management of taxes and, on the other, again conduct propaganda on tax collection. [passage omitted]

C. We should resolutely implement the financial retrenchment policy and lead a stringent life for a few years. Implementing the financial retrenchment policy is not only a requirement of the endeavor of improvement and rectification but also a need in our province's financial capacity. In the first place, we should attach great importance to controlling demands for funds and reducing expenditures. Meanwhile, we should adjust the structure of expenditures and adopt different policies to guarantee some projects while reducing others. First, we should guarantee the funds for price and wage reforms and the minimum administrative expenses. Second, we should attach importance to greatly developing agriculture, particularly grain production, and the increase of effective supplies of farm and sideline products. The provincial party committee and government have decided that, despite the great financial difficulty this year, agricultural investment will be increased by 50 million yuan while expenses in other areas will be reduced. All prefectures, cities, and counties should map out their specific arrangements according to their financial capacities. They should also mobilize collectives and individuals to increase the input into agriculture, upgrade production conditions, and improve the results of output. Third, we should increase as much as possible in a proper way the expenses in education and in science and technology. Fourth, we should greatly reduce the funds for capital construction, potential tapping, technical transformation, and administrative work. In particular, we should resolutely reduce institutional purchases, strive heartily to check the trend of luxury and waste, and eliminate extravagance and waste with a firm determination. [passage omitted]

D. We should strengthen the management of extra-budgetary funds and pool funds in a proper way. First, we should collect 10 percent of the extra-budgetary funds

for use in agriculture and in balancing the state budget. Second, we should strengthen macrocontrol. All extra-budgetary funds of administrative departments and institutions should be managed by financial departments, and the method of special savings account should be applied to them. All "funds for retirement and old-age pension" and "funds for unemployment insurance" should be managed by financial departments except for those parts of the budget to be collected and the necessary portion to be used as circulating funds. Extra-budgetary funds for other purposes should also be managed by financial departments as soon as possible if this is not already being done. Enterprises and units should submit to examination and approval by financial departments before they use extra-budgetary funds to carry out capital construction and issue bonuses so that the direction and amount of extra-budgetary funds used can be controlled and supervised. We should thoroughly investigate all "small treasuries" and put all funds into account books for management by financial departments in line with the regulations of the "Law on Accounting." Provincial government departments should take the lead in this work. [passage omitted]

E. We should improve the results of fund utilization and shift the system of allocation without repayment into the system of circulating funds with repayment. The province's finances will be unprecedentedly stringent this year, and every level should make its own financial arrangements. Financial retrenchment needs even more skillful arrangements. With regard to some expenses, allocation without repayment should be changed to circulating funds with repayment. When conditions permit, institutions should diversify their management and expand their services to society so as to achieve financial self-reliance. With regard to funds allocated for special purposes, their purposes, economic results, and responsibilities should be clearly defined, contracts for them should be signed, and conditions for rewards and penalties should be stipulated to enhance a sense of economic results and responsibility for units which use the funds and to make the best use of the limited funds. [passage omitted]

Song Shuhua stressed in his speech: Effective measures should be adopted to strengthen financial macroregulation and control. 1) Some funds should be collected in a proper way. Based on the situation in the entire country, the central authorities have formulated some measures for collecting funds, such as collecting a certain percentage of extra-budgetary funds, straightening out tax collection, and levying some new taxes. We should conscientiously carry out these measures. Meanwhile, based on the situation in our province, the provincial party committee and government also studied some measures for pooling funds. The major methods are: Material and industrial supply and marketing corporations should hand over to financial departments 70 percent of their income in excess of the contracted quotas. Sixty percent of the income earned from the price increase for crude salt should be handed over to financial departments.

Other enterprises should also hand over to financial departments certain amounts of the income they earned from price increases. Enterprises operated under contract should absorb such factors as increased bank interest rates, and the amount of money they should turn over to higher authorities will not be reduced. State enterprises whose technical transformation has been completed and which have begun to yield results and those whose loans have been repaid should have the amount of money they deliver to higher authorities be increased to a proper extent. Financial departments at various levels will collect as loans 20 percent of the "funds for retirement and old-age pension" and the "funds for unemployment insurance." Financial departments will also collect a certain amount of the income from road maintenance funds. 2) The financial retrenchment policy should be implemented and the demands for funds reduced. First, we should adhere to the principle of financial balance. Second, we should restructure expenditures. We should ensure those expenses that are conducive to increasing the effective supply of social products and to increasing the strength for sustained development. [passage omitted] 3) The relationship between the state and the enterprise in terms of distribution of interest should be adjusted. After 10 years of reform, the enterprises' financial situation has experienced great changes and their financial capacity increased fairly rapidly. This year, tax reductions will no longer be granted to enterprises to allow them to keep a bigger share of profits. This is aimed mainly at encouraging enterprises to turn their sights inward, strengthen management, tap their own potential, and improve their economic results so that in the new situation of improvement and rectification they can blaze a new trail of seeking development; raising their levels; and improving their economic results through strengthening management, tapping potential, and achieving technological progress. [passage omitted]

**Wang Inspects Inner Mongolia Iron, Steel Company**  
*SK0303072089 Hohhot Inner Mongolia Regional Service in Mandarin 1130 GMT 1 Mar 89*

[Text] Despite the snowy weather on 1 March, Wang Qun, secretary of the regional party committee, and Liu Yunshan, member of the Standing Committee of the regional party committee, inspected the Baotou Iron and Steel Company and the Baotou Research Institute of Basic Industries.

They urged that enterprises and scientific research units pay attention to readjusting their structures and enhancing cooperation and strive to increase their economic results.

On the morning of 1 March, leading comrades, including Wang Qun, heard the work reports delivered by (Zhang Guodong), president of the company, and (Li Yuhua), secretary of the company's party committee.

Wang Qun said: The state made a great investment in building the Baotou Iron and Steel Company into a company of a scale rarely seen. The company helped the national construction with its iron and steel. The coal and chemical industries are treasures of the Inner Mongolia Autonomous Region. Slag is also very useful. When conditions permit, the company can run a phosphate fertilizer plant of a proper scale to support the region's agricultural production. In the our country's current shortage of funds and its need to raise economic results, we should pay attention to assimilating domestic and foreign capital and embark on the path of self-transformation and self-development to upgrade enterprises' economic results.

After hearing the work report of the Baotou Research Institute of Basic Industries, Comrade Wang Qun said: Basic natural resources are the region's valuable wealth. So, the Baotou Iron and Steel Company and the Baotou Research Institute of Basic Industries should pay attention to the development of basic industries and accelerate the work of popularizing and applying basic industrial products.

**Bu He Reports to Inner Mongolia Retired Cadres**  
*SK0203132089 Hohhot NEIMENGGU RIBAO*  
*in Chinese 1 Feb 89 pp 1, 3*

[Excerpts] The autonomous regional party committee and the government held a meeting on the morning of 31 January to report the current situation to retired cadres. At the meeting, Bu He made a report entitled "Clearly Understand the Current Situation, Unify Thinking, and Orient the Region's Economy to a New Stage of Even More Stable and Sounder Development." In his report, Bu He said confidently: "After summarizing the road our region has taken over the past several years, we can conclude that our region's party organizations are combat-worthy, our cadres are extremely good, the people of all nationalities in the region are also extremely good, and the Inner Mongolia Region is full of promise."

Wang Qun, Qian Fenyong, and Batubagen attended this report meeting.

Bu He discussed three issues in his report:

1. We should comprehensively and correctly understand the current situation in the region's economic and social development and firmly and unswervingly implement the general policy and principle with regard to reform and openness. Our region's current economic and political situation is as good as that of the whole country and is better than expected. In 1988 the region reaped a bumper harvest in agriculture and its grain output totaled 14.76 billion jin. With regard to animal husbandry, during the past few years the entire region experienced many natural calamities; in particular, the region's central and western areas were afflicted by drought for 3 or 5 consecutive years, which resulted in animals being slaughtered at a high rate. Despite such a

situation, the total number of draft and small animals throughout the region still reached 42.01 million in 1988, just slightly fewer than in the record year of 1982, and exceeding our expectations. What is more gratifying is that in 1988, the growing situation of the region's grassland was good, much forage grass was stored up, animals were plump and sturdy, and the conception rate of animals was high. Moreover, there generally were no serious natural calamities throughout last winter. Therefore, it is quite certain that we will set a record high in 1989 in the number of animals in stock.

Industrial development in 1988 was also better than expected. Despite the numerous restrictions to industrial development, our region's industrial growth rate reached 12 percent last year. This was really hard-won. The increase rates in both income from sales and in profits and taxes realized exceeded the increase rate in output value. From January to October, industrial enterprises throughout the region handed over more than 1.2 billion yuan to the state, fulfilling the annual plan 2 months early. The productivity of the all people-owned industrial enterprises exercising independent accounting throughout the region exceeded 1 million yuan per capita for the first time, and 80.8 percent of the newly added output value came from the improved productivity per capita. Despite increases in reform projects and in the factors for reduced revenues and increased expenditures, the region's total financial revenues amounted to 2.3 billion yuan, 200 million yuan more than the budgeted figure, showing an 18.5-percent increase over the previous year. Such an increase rate was also better than expected.

Our region initiated many key projects in 1988, including the building of the three petroleum projects, the large chemical fertilizer plant, the Beixian Railway, and the Fengzhen power plant; the expansion of the Baotou power plant; the renovation of the Baotou iron and steel plant; and the building of some chemical industrial bases. The planning and the source of funds for these projects have been basically guaranteed, and the pre-phase preparations are being accelerated. Construction of some projects has already been or will soon be started. [passage omitted]

The 10 years following the 3d Plenary Session of the 11th CPC Central Committee has been a period in which the region has set a record high in its economic growth, its accumulation of economic strength, and the practical benefits to the people.

The region's total product of society amounted to 39.2 billion yuan by 1988, showing an increase of 120 percent during the 10 years following the 3d Plenary Session of the 11th CPC Central Committee.

The region's national income amounted to 17.6 billion yuan by 1988, and the national income topped 1,000 yuan per capita, registering an increase of 130 percent during the past 10 years.

The region's financial revenues amounted to 2.318 billion yuan by 1988. Its financial revenues amounted to only 690 million yuan in 1978. During the past 10 years, the region scored a 2.36-fold increase.

The region's newly added fixed assets in industry amounted to 2.5 billion yuan by 1988, showing an increase of 200 percent during the past 10 years.

By 1988, the income of peasants in the region was 545 yuan per capita; in 1978 it was only 273.65 yuan. If the factor of price hikes is deducted, an 80-percent increase was made during these 10 years. [passage omitted]

2. We should analyze realistically the problems emerging in the current economic and social development, and should further implement the principles of improving the economic environment, rectifying economic order, and comprehensively deepening reform, which were defined by the 3d Plenary Session of the 13th CPC Central Committee. In the current economic and social development, our problems are relatively conspicuous. These problems are concentrated in the following four aspects:

A. The total social demand has surpassed the total social supply, and the contradiction between supply and demand has been conspicuous. Last year, the monthly volume of retail sales was some 100 million yuan more than last year. By the end of last year, the savings deposits of urban and rural residents throughout the region amounted to 6.5 billion yuan. Adding the cash the masses held for purchases, the purchase power of the masses reached 9 billion yuan or more. It is a good thing that the masses have become prosperous and have more money. However, if we fail to divert the masses' funds from consumption or fail to encourage them to deposit their money, the masses' excessive consumption will pose a big blow and threat to markets.

B. The economic structure, including the production set-up, the product mix, and investment structure, and the credit structure, has not been reasonable enough. From January to November last year, the increase rates in the coal industry, the power industry, and the iron and steel industry were 8.5 percent, 9.2 percent, and 0.3 percent, respectively, all much lower than the increase rate in the processing industry during the same period. In addition, the "15 kinds of small-scale industries" sprang up all over the place. In particular, the processing capacity of large or small carding machine plants and fur plants surpassed the raw materials supply capacity, and small-scale smelters and chemical industrial plants which consume much energy resources were set up one after another, thus aggravating the shortage of energy resources. The unreasonable structure has made it difficult to distribute our limited natural resources on a selective basis and to ensure the production of key enterprises.

C. There have been inordinate price increases. Last year, the national price index was expected to rise by 18.5 percent. In this regard, our region witnessed a gradual upward trend. Except for January and February, last year's price index increased more than 20 percent. Although the price increases were put under control in November and December, the annual average price rise index still reached 16.3 percent.

D. Some confused phenomena have emerged in the circulation sphere. For some means of production which have been in short supply, there have been such problems as people vying with each other to make panic purchases, reselling purchases at a profit, and mixing inferior and false goods. For instance, mixing sheep's wool with cashmere has not only destroyed the natural resources and sustained economic losses, but also seriously affected our region's reputation.

What is the cause of the aforementioned problems? In my opinion, subjectively speaking, our guidance to the macrocontrol remains ineffective in some fields, and some of our comrades have been impatient for success and have paid undue attention to partial interest. Objectively speaking, during the period of transition from old systems to new ones, our policies have been unable to match our work immediately, and new systems have not been fully established, thus causing loopholes and "blank space" in some fields.

3. We should further define the emphasis of our work in the future and promote and guarantee an even more stable and sounder development of the region's economic construction. The work tasks facing us this year are extremely arduous. In line with the principles of improving the economic environment, rectifying economic order, and comprehensively deepening reform, which were defined by the 3d Plenary Session of the 13th CPC Central Committee, our major tasks this year are to boost agriculture, lower commodity prices, and make a stable increase in the economy.

Whether or not we will have a good harvest depends to a large extent on the natural conditions. We should not base a bumper harvest on good weather, but should strive for a bumper harvest through combating drought and other natural calamities. To boost grain output, we should first depend on more input; second, on good policies; and third, on science and technology, as demanded by the central authorities. Despite the shortage of funds, this year the region will earmark 23 million yuan more in special funds compared with last year for agricultural input and will release 20 million yuan from the agriculture-aiding circulating fund to develop grain production. This year, the state will also release some of the funds to help us develop the eastern area of the region.

There will be many problems in lowering our commodity prices. First, the phase-in factor for last year's price increases directly affects this year's prices. Second, 80 percent of the region's commodities are imported from

other provinces, and therefore our prices are restricted by the markets of other provinces. Third, next year price increases must be allowed for a few commodities. Although we will face some problems, we must assign this political task to lower levels and must strive to make the scale of this year's price increases obviously smaller than that of last year. [passage omitted]

We should develop the economy in a stable manner. In line with the principle of readjustment, we should concentrate our efforts on curbing or ensuring the deserving projects on the basis of keeping a due speed of development. Through readjustment, we should promote the development of those key, basic, and superior industries which affect the overall situation of the region's economy and society. Through readjustment, we should change from extensive management to intensive management and from depending primarily on building new projects to expand reproduction to depending primarily on tapping potential to expand reproduction. [passage omitted]

**Shanxi Official on Struggle Against Corruption**  
*HK0203073189 Taiyuan Shanxi Provincial Service  
in Mandarin 2300 GMT 28 Feb 89*

[Excerpts] Speaking at a provincial supervisory work conference on the morning of 27 February, Governor Wang Senhao pointed out: Supervisory departments at different levels of the province must take the struggle against graft, bribery and corrupt phenomena as the key task for maintaining a clean and honest government.

In his speech, Comrade Wang Senhao first emphasized the importance and urgency of maintaining a clean and honest government. [passage omitted] The abuse of power for personal gains by a handful of government functionaries has seriously discredited the people's government and affected a consolidated people's regime. We should not, therefore, look upon it as of no importance. Keeping governments at all levels clean and honest and maintaining high standards of ethical integrity should be regarded as a matter of prime importance. The founding of supervisory organs in governments at various levels just answers this purpose. While struggling against corruption and bribery, careful investigations must be made into cases of abusing power for personal gains, blackmailing, extravagant waste, and serious bureaucracy, as well as violations of law and discipline in economic activities with foreign businessmen.

Comrade Wang Senhao stressed: Cases of corruption and bribe-taking involving government functionaries, no matter who is involved, should be thoroughly investigated and those involved must be punished according to the law, and on no account should we be indulgent toward them. Meanwhile, those who take a passive attitude toward investigations, retaliate against those who report offenses to the authorities or cover up illegal activities should be resolutely called into account. In

investigating all cases, reporting centers for people to register complaints about corruption should be brought into full play. [passage omitted]

**Shanxi Reports 1988 Economic Statistics**  
*HK0203024989 Taiyuan Shanxi Provincial Service  
in Mandarin 2300 GMT 1 Mar 89*

[Excerpts] Shanxi made steady progress in production and construction last year. Gross social product was 60.1 billion yuan, a rise of 11.5 percent over 1987. National income was 23.1 billion yuan, a rise of 8 percent. Gross domestic product was 28.4 billion yuan, a rise of 14.4 percent.

However, problems in economic life such as inflation, sharply rising prices, and insufficient effective supply affected the development of the national economy.

In recent years the government at all levels has further enhanced understanding of agriculture and boosted investment. Agricultural output value last year was 5.52 billion yuan, a rise of 15.5 percent compared with 1987. Grain production showed a relatively big revival. Output was 8,183 million kg, a rise of 14.8 percent. [passage omitted]

Industrial output value was 31.85 billion yuan, a rise of 14.7 percent compared with 1987. [passage omitted]

According to sample surveys, disposable income per capita among urban residents was 846.7 yuan. Average net peasant income was 438.1 yuan. [passage omitted]

**Northeast Region**

**Heilongjiang's Sun Weiben Visits Writers** 31 Jan  
*SK2802022989 Harbin HEILONGJIANG RIBAO  
in Chinese 1 Feb 89 p 1*

[Text] Today, Sun Weiben, secretary of the provincial party committee, met with more than 50 writers at the "homes of creations" in the provincial capital. During the meeting, Sun Weiben said: This year the tasks facing our province will still be very difficult and complicated. We can foresee that there will be many problems and difficulties. We hope all of you will give greater support to the work of the local authorities with inspiring intellectual products so as to bring greater encouragement and strength to the people throughout the province.

This Spring Festival gathering paid no attention to ostentation, extravagance, or the seating arrangements, but rather emphasized the literature. An enthusiastic atmosphere permeated the gathering. When Qi Guiyuan met with Guan Monan, a writer in his seventies, he told Sun Weiben: "This is my teacher. He is still going strong."

**Sun Weiben Visits Cadres, Friends in Heilongjiang**  
*SK2802032189 Harbin HEILONGJIANG RIBAO  
in Chinese 3 Feb 89 p 1*

[Text] This morning, Sun Weiben, secretary of the provincial party committee, and Zhou Wenhua, deputy secretary of the provincial party committee, accompanied by Meng Chuansheng, director of the United Front Work Department of the provincial party committee, called on responsible persons of democratic parties and nonparty old friends, including Liu Huixian, Guo Shouchang, Fu Shiying, Chen Hangjian, and Liu Teliang. Leading comrades of the provincial party committee thanked the democratic party persons and nonparty friends for their important contributions to Heilongjiang's reform and opening up, extended warm Spring Festival greetings to them, and solicited their opinions on this year's provincial work. These old friends spoke frankly and offered many ideas and suggestions on Heilongjiang's economic development and on strengthening ideological and political work, developing education and scientific research undertakings, and strengthening management over markets and commodity prices. The provincial leading comrades said that during this year the provincial party committee will further strengthen cooperation with various democratic parties, listen to their opinions with open minds, and further strengthen political consultation with various democratic parties.

**Heilongjiang's Sun Weiben Attends Award Ceremony**  
*SK2702043289 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 26 Feb 89*

[Excerpts] On the afternoon of 26 February at the main broadcasting studio of the provincial radio and television department, the provincial party committee and the provincial government cosponsored a provincial radio and television conference to commend and present awards to advanced collectives and individuals on the public security front for 1988. The pacesetters to be commended and given awards, wearing medals and red flowers, were seated in the front rows.

Present at the conference were Sun Weiben, Shao Qihui, Wang Zhao, Wang Luming, Zhou Wenhua, Wang Haiyan, Ma Chunwa, Qi Guiyuan, Ma Guoliang, Xie Yong, Zhang Xiangling, He Shoulun, Zhu Dianwu, Du Xianzhong, Zhang Li, Tang Lanting, and Jia Chengwen; Zhao Dezun, retired provincial-level veteran cadre; and responsible comrades of the provincial-level departments concerned.

Du Xianzhong, provincial vice governor, presided over the conference.

Ma Guoliang, member of the Standing Committee of the provincial party committee, read the decision of the provincial party committee and the provincial government on commending and presenting awards to advanced collectives and individuals on the public security front for 1988. [passage omitted]

After the provincial leaders had issued medals and certificates of honor to representatives of advanced collectives and individuals, Zhou Wenhua, deputy secretary of the provincial party committee, made a speech.

**Heilongjiang Congress Standing Committee Meets**  
*SK0103035489 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 25 Feb 89*

[Text] The eighth Standing Committee meeting of the seventh provincial People's Congress was held at the Beifang Building in Harbin on 25 February.

The meeting's participants listened to the report made by Vice Chairman Zhang Ruoxian on the preparations for the second session of the seventh provincial People's Congress and the explanation on the draft agenda; the explanation made by Vice Chairman Wang Jun on the draft namelists of the Presidium and secretary general of the second session of the seventh provincial People's Congress and the report on examination of qualifications of people's deputies; the explanation made by Yang Jingsu, vice chairman of the Harbin City People's Congress Standing Committee, on Harbin City's methods for managing the city; and the report made by (Lu Tao), vice chairman of the Harbin City Finance and Economic Commission, on the opinions concerning the examination of Harbin City's methods for managing the city. At the meeting, provincial Acting Governor Shao Qihui explained the recommended appointment of Comrade (Zhang Hufang) as chairman of the provincial Education Commission. (Zhang Hufang) made a special speech at the meeting.

The meeting held on 25 February was presided over by He Shoulun, vice chairman of the provincial People's Congress Standing Committee. Present at the meeting were Wang Jun, Zhang Ruoxian, Wang Yusheng, Ji Hua, Zhao Qingjing, and Du Dianwu, vice chairmen of the provincial People's Congress Standing Committee. Attending as observers were Shao Qihui, provincial acting governor; Tang Lanting, president of the provincial Higher People's Court; and Jia Chengwen, chief procurator of the provincial People's Procuratorate.

**Jilin's He Zhukang Spring Festival Message**  
*SK0103011089 Changchun JILIN RIBAO  
in Chinese 6 Feb 89 p 1*

[Spring Festival message from He Zhukang, secretary of the Jilin provincial party committee, to the people of various nationalities throughout Jilin]

[Text] Comrades, friends:

On the occasion of the Spring Festival, a traditional festival of the people of various nationalities throughout the country allow me, on behalf of the Jilin provincial party committee and the Jilin provincial people's government, to extend festive regards to the people of various nationalities throughout the province and cordial regards and greetings to the Chinese People's Liberation Army [PLA] stationed in Jilin, all commanders and fighters of the Jilin Provincial Armed Police Force, and

all comrades who have held fast to production and their posts during the festive days, and to wish a happy New Year to all democratic parties and nonparty patriotic personages who have treated us with all sincerity and shared our weal and woe and to all friends at home and abroad who have showed concern for and support Jilin's construction.

The year which has just passed was a year in which the people of various nationalities throughout the province conscientiously implemented the guidelines of the 3d Plenary Session of the 13th CPC Central Committee under the party Central Committee and the State Council and during which we scored remarkable achievements in building the two civilizations. Even while there were serious natural disasters in some localities, our province still reaped a bumper harvest in agricultural production. Grain output reached an all-time record in the history of our province. The total output value of township enterprises surpassed 10 billion yuan for the first time. We still witnessed a fairly rapid progress in industrial production under the tense situation in the supply of funds, power, and raw materials. The total industrial output value still showed an annual increase of 15.6 percent over the previous year. Local financial revenues increased 16.7 percent. We also witnessed new progress in developing scientific, technological, educational, cultural, and other undertakings. The people's livelihood was further improved. We also encountered many grave difficulties on our road of advance last year and achieved initial results through improving the economic environment and rectifying economic order. At present, the "overheated" economic trend has begun to weaken, the reckless price hikes have been brought under control, and order in the circulation sphere has improved slightly. All these achievements were the result of the hard work and concerted efforts of the 23 million people throughout the province. Now, on behalf of the provincial party committee and the provincial government, let me extend heartfelt thanks to all the people in the province and the broad masses of workers, peasants, intellectuals, cadres, and Army officers and soldiers who contributed to the building of the two civilizations in our province.

The recent second plenary session of the fifth provincial party committee clearly defined our province's basic tasks and general demands for this year. The core of these tasks and demands was steadfastness, steadiness, and stability. This means that we should steadfastly implement the line defined by the 13th party congress and the principles put forward by the 3d Plenary Session of the 13th CPC Central Committee, steadily develop a coordinated national economy, and consolidate and develop a stable and united political situation. We should be more steadfast and united and should exert greater efforts to march toward this anticipated goal.

During this year, we should firmly grasp economic construction as a center; continue to implement the economic guidelines of "comprehensively developing agriculture, giving priority to strengthening industry,

and striving to invigorate circulation and finance"; deeply conduct the campaign to increase production, practice economy, increase revenues, and reduce expenditures"; actively integrate scientific research with production; strive to improve product quality and enterprises' managerial level; actively readjust the economic structure; and realistically increase effective supplies. While developing the economy, we should proceed with our work from a strategic viewpoint, consider Jilin's future, and guarantee the development of education and other cultural undertakings in the course of improving the economic environment, rectifying economic order, and deepening reform.

During this year, we should resolutely implement the principle of improving the environment, rectifying order, and comprehensively deepening reform. Improvement and rectification are the key points of reform and construction for this year and next. This is a year of crucial importance because the achievements of the first year determine the next year. We should adopt effective measures to cut back the investment in fixed assets, control inflation, guarantee a marked decline in price hikes from last year, and achieve remarkable results in improving the economic environment and rectifying economic order. We must persist in simultaneously improving the economic environment, rectifying economic order, and conducting reform and construction and must deepen reform in the course of our improvement and rectification drive. We should further improve and develop the contract management responsibility system among enterprises, actively promote cooperation and mergers among enterprises, make continued efforts to stabilize and develop the output-related contract responsibility system in rural areas, strengthen socialized service, and take active but prudent steps to conduct political structural reform.

During this year, we must on the one hand grasp the development of the socialist commodity economy while on the other grasping ideological and political work. First, we should grasp party building well, run the party and government strictly; display the party's leadership role, the party organizations' role as the fighting bastion, and the party members' vanguard and exemplary role; and persist in keeping the government organs clean and honest. It is necessary to strengthen the building of the socialist democracy and the legal system, intensify the authority of the party and government, and persist in the systems of democratic consultation and of holding dialogues. Conscientious efforts should be made to strengthen political and legal work, to deal strict blows to serious economic crimes and criminal offenses, to comprehensively improve social security, and to maintain good social order. We should also strengthen ideological and political work; study and publicize the theories of the 13th party congress; extensively conduct education on the situation and professional ethics; continue to carry out Army-peopple joint activities to build the civilization and the activities to change prevailing habits and customs; cement the popular feeling and inspire the

people with common ideals and dedicated spirit; raise the mental horizons of all people in society; and gradually form and promote the habit of dealing with concrete matters relating to work, blazing new trials, pioneering the road of advance, maintaining unity and mutual aid, and paying attention to culture and good manners.

Comrades and friends, the work for 1989 is complicated and the tasks are arduous. A year's plans should begin in the spring. In order to successfully fulfill the annual objectives and tasks, we should firmly grasp all fields of work at the beginning of the year and should never slacken our efforts. The people of Jilin, who have glorious revolutionary traditions and have made new contributions during the new historical period, should consider "realization of the four modernizations and the invigoration of China" as their own duties, enhance their spirit, strengthen confidence, cooperate fully in the united fight, and greet the 40th anniversary of the founding of the People's Republic of China with new achievements in reform and construction.

I wish a happy Spring Festival to all the people throughout the province. Thank you very much.

**Jilin's He Zhukang at Theoretical Study Meeting**  
*SK0103023689 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 23 Feb 89*

[Text] JILIN RIBAO on 23 February gives frontpage prominence to a summary of the study by the provincial party committee's theoretical study central group: "Adhere to the Criterion of Productive Forces and Raise the Economic Level in the course of Improving the Economic Environment and Rectifying Economic Order."

From 15 to 17 February, the theoretical study central group of the provincial party committee thoroughly studied and discussed the issue of relations among the work of improving the economic environment, rectifying economic order and the adherence to the criterion of productive forces. Comrade He Zhukang presided over the study and discussion meeting and gave a summary speech at the end of the meeting.

The principle put forward by the 3d Plenary Session of the 13th CPC Central Committee on improving the economic environment, rectifying economic order, and deepening reform is the further application of the criterion of productive forces set forth by the 13th party congress. Improving the economic environment, rectifying economic order, and deepening reform is identical to adhering to the criterion of productive forces.

Improving the environment, controlling inflation, rectifying order, and eliminating all chaotic phenomena are aimed precisely at eliminating obstacles for deepening comprehensive reform and developing the productive forces and at creating external conditions for developing the commodity economy and the productive forces. In

addition, improvement and rectification themselves are the major measures for raising the economic level and better developing the productive forces.

The key issue of adhering to the criterion of productive forces in the course of our improvement and rectification work is to raise the economic level. Setting our sights on raising the economic level is the major development of our country's guiding ideology for economic work, [words indistinct] and the continued improvements of relying primarily on the increase in the input of essential production factors to seek increase in output and output value and relying on optimization of structures, technological progress, and advanced management to seek the whole economic output, functions, adaptability, and economic results in an effort to raise the province's comprehensive capacity.

The summary of the study by the theoretical study central group of the provincial party committee elaborated six aspects of the issues of adhering to the criterion of productive forces and raising the economic level in the course of improving the economic environment and rectifying economic order.

These six aspects were: First, we should conscientiously overcome the idea of seeking quick results in the course of economic construction. Second, we should raise the quality of enterprises. Third, we should readjust the economic structure and increase effective supplies. Fourth, we should promote the integration of science and technology with production. Fifth, we should develop the opening up; carry out lateral cooperation; and promote the development of the essential production factors, optimization of organizations, and rational mutual supplement. Sixth, we should grasp the development of the socialist commodity economy on one hand while grasping ideological work on the other hand.

Comrades participating in the study unanimously maintained that strengthening theoretical study and raising the ability to think theoretically is an important guarantee for raising the level of policy making. Therefore, we must act in close connection with the reality of reform and construction and persist in studying theories.

At the beginning of the theoretical study, the meeting adopted in principle the annual theoretical study plan of the provincial party committee's theoretical study central group. During the year, four special topics will be studied. Every quarter of the year, 4-5 days will be devoted to concentrated study and discussion.

**Jilin Holds Political, Legal Work Conference**

**He Zhukang Meets Delegates**

*SK0103043289 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 24 Feb 89*

[Excerpt] On the afternoon of 24 February, while talking with the comrades participating in the provincial political and legal work conference, He Zhukang, secretary of the provincial party committee, and Wang Zhongyu, deputy secretary of the provincial party committee and provincial acting governor, emphatically pointed out the necessity of further strengthening party leadership over the political and legal work.

He Zhukang said: Political and legal work must be subject to the unified leadership of party committees. This does not contradict the principle of separating the party from the government. However, improvements should be made in the methods of leadership.

Party committees at all levels should pay great attention to the political and legal work by listing it as an important item on their daily agenda and should constantly discuss and study political and legal work in order to give still greater support to this work. Political and legal departments at all levels should report all major issues to party committees. Political and legal leading organs under party committees at all levels must be strengthened, not weakened.

At the provincial political and legal work conference, Du Qinglin, deputy secretary of the provincial party committee and director of the political and legal leading group under the provincial party committee; Gao Wen, provincial vice governor and deputy director of the political and legal leading group; some members of the political and legal leading group; and some responsible comrades from various cities, prefectures, autonomous prefectures, and pertinent provincial-level departments expressed their opinions on the current public security situation, the party leadership over political and legal work, the comprehensive administration of public security, and the building of the ranks of political and legal workers.

In his speech, He Zhukang said: The current provincial political and economic situation is good, and the cadres and policemen on the political and legal front have worked conscientiously and have made great contributions. However, we should correctly and realistically estimate the current political and legal situation, that is, we should not only enhance our confidence by seeing the good general situation but also enhance our sense of responsibility by seeing the serious problems in the current situation. Under no circumstances should we relax our efforts in this regard.

To adapt ourselves to the demands of the current situation, we should earnestly summarize experiences and make continued efforts to improve our work expertise. Meanwhile, we should commend the advanced and support the backward in order to advance all our work.

After analyzing the current situation, Comrade He Zhukang said: The people's democratic dictatorship should only be strengthened, not weakened; and political and legal work must be strengthened. This is an important task. Comrade Deng Xiaoping and Zhao Ziyang pointed out long ago that we should persistently grasp construction with one hand and the legal system with the other hand and that we should grasp them at the same time.

Comrade He Zhukang pointed out: At present, in doing political and legal work, we should pay attention to solving the ineffective blows to criminal offenses and economic crimes; should give full play to the strong and intimidating role of the people's democratic dictatorship; and should carry forward healthy trends by encouraging the masses to bravely struggle against criminal offenses and economic crimes.

He Zhukang stressed: To successfully improve public security, we must conduct comprehensive administration. We should combine the work of specialized organs with the mass line; should give prominence to striking serious and principal criminal offenders guilty of murder, robbery, rape, and serious theft; and should resolutely ferret out and ban various ugly occurrences in society. In dealing blows to economic crimes, we should emphasize opposing corruption and bribery.

With regard to the building of the ranks of political and legal workers, He Zhukang said: The provincial ranks of political and legal workers generally are good and combat-worthy but are not completely suitable for the demands of the development of the current situation. Therefore, political and legal workers must further improve their political expertise, their understanding of policies and laws, and their ability to do professional work. Those who are unsuitable for doing the political and legal work should be readjusted with determination. In this connection, party committees and governments should give support, and pertinent spheres should work in coordination. At the same time, we should pay attention to the qualifications of newly employed political and legal workers in order to ensure the quality of the ranks. [passage omitted]

**Conference Concludes 24 Feb**  
*SK2702040689 Changchun Jilin Provincial Service  
in Mandarin 1030 GMT 25 Feb 89*

[Text] The 3-day provincial political and legal work forum concluded in Changchun yesterday. Attending the forum were members of the political and legal leading group of the provincial party committee; responsible comrades in charge of political and legal work; and responsible comrades of political and legal leading organs of various city, prefectural, and autonomous prefectural party committee and of relevant provincial committees, offices, departments, and bureaus.

He Zhukang, secretary of the provincial party committee, and Wang Zhongyu, deputy secretary of the provincial party committee and acting provincial governor, held discussions with the participants. Du Qinglin, deputy secretary and leader of the political and legal leading group of the provincial party committee, and Gao Wen, provincial vice governor and deputy leader of the political and legal leading group of the provincial party committee, delivered speeches.

The forum relayed the guidelines of the national political and legal work forum, made a realistic analysis and assessment of the rigorous situation facing the province's political and legal front, and set clear demands on the work for the political and legal front of the province for this year.

The forum pointed out: The major tasks for the political and legal front of our province for 1989 are to resolutely implement the guidelines of the 3d plenary session of the 13th party Central Committee; to give full play to the functional role of political and legal departments; and to strengthen the means of rule by law to provide an effective legal guarantee and timely and effective legal service to the endeavor of improvement, rectification,

and deepening of reform and to opening up of a stable social environment.

The forum analyzed the province's current public security situation and pointed out: At present, the focus of efforts to deal blows to serious criminal activities should be placed on serious criminals who are guilty of murder, robbery, rape, and serious theft; to criminal gangs of hooligans; and to gamblers and professional gamblers. Public security and procuratorial departments and the courts should coordinate closely to dampen the arrogance of criminals.

The forum also pointed out: In the process of dealing blows to serious economic crimes, major efforts should be made to combat embezzlement and bribe-taking. To deal with serious economic crimes, we should adhere to the principle of meting out stern punishment according to law and should never be soft-hearted. We should prevent and correct the phenomenon of dealing ineffective blows, sternly punish embezzlers and bribe-takers according to law, and reduce the crimes of embezzlement and bribe-taking to the minimum.

The forum stressed: Public security problems are an epitomized reflection of multiple social contradictions. To solve public security problems, we should mobilize the forces of the entire party and all of society to eliminate the factors that endanger public security through educational, managerial, legal, and other means, and to comprehensively tackle the problems.

The forum urged judicial organs at various levels throughout the province to enhance confidence, arouse spirit, set strict demands on the police forces, and work hard to carry out political and legal work more successfully and make greater contributions to improvement, rectification, reform and construction.

**Liaoning's Quan Shuren at Work Team Head Forum**  
*SK0103000789 Shenyang LIAONING RIBAO  
in Chinese 1 Feb 89 p 1*

[Text] The work team head forum for the eastern, western, and northern areas of the province which was cosponsored by the provincial party committee and the provincial government and held on 31 January. The forum was attended by Quan Shuren, secretary of the provincial party committee, who extended regards to all of the members of the work teams. He said that we should first pay Spring Festival calls on the work teams. Although the work teams have worked in these areas for only about 3 months, they have conquered various kinds of difficulties and have accomplished much. These achievements indicate that their mental outlook is good.

Comrade Quan Shuren said: This year is a key year for changing the appearance of poverty-stricken areas. We should help the cadres at various levels in poverty-stricken areas adapt to the new situation of improving the economic environment, rectifying the economic order, and

deepening reforms and achieve the readjustment of the rural production structure. The rural areas should first rely on science and technology to develop various trades. We should encourage many science professionals and technicians to work in the countryside and serve as contract developers in the rural areas. The work teams should attend to two requirements. First, they should rely on the support of the departments, commissions, general offices, and bureaus. Second, they should rely on the local party committees and governments to achieve the work of supporting the poverty-stricken areas. Whether or not the localities extricate themselves from poverty hinges on the work of local party committees and governments, and the work teams' performances depend on the support of departments and bureaus.

**Liaoning's Quan Shuren at TV-Radio Conference**  
*SK0103024689 Shenyang Liaoning Provincial Service in Mandarin 2300 GMT 23 Feb 89*

[Excerpts] The provincial party committee and government held a television and radio conference on the morning of 24 February to summarize, commend, and mobilize efforts in the campaign to increase production, practice economy, increase revenues, and reduce expenditures. Provincial Governor Li Changchun and Provincial Vice Governor Zhu Jiazheng gave speeches.

Provincial Governor Li Changchun said: This is a very important conference. Its central topics of discussions are the in-depth implementation of the guidelines of the 3d plenary session of the 13th party Central Committee, the further mobilization of cadres and ordinary people throughout the province to swing into action and immediately plunge into the campaign, the efforts to use all possible means to overcome difficulties in promoting production, the increase and improvement of effective supply, and the prevention of economic retrogression to ensure a stable development of our province's economy in the process of improvement and rectification.

He pointed out: Whether the masses are truly mobilized is an important indicator of the campaign's success. All cities should assign the targets for the campaign to every enterprise, workshop, work team, and work post so that every level will have its own targets and everyone will contribute. Leading persons should attach real importance to the campaign, carry it out to the letter, and create a new upsurge in it throughout the province. [passage omitted]

Attending the conference were leading comrades of the provincial party committee, Advisory Commission, Discipline Inspection Commission, People's Congress, government, and Chinese People's Political Consultative Conference Committee, including Quan Shuren, Li Changchun, Dai Suli, Wang Julu, Gao Zi, Zhu Jiazheng, Cheng Jinxiang, Lin Sheng, Yue Weichun, and Wang Jiyuan.

Cadres as well as staff members and workers of the organs and enterprises of various cities in the province listened to and watched a relay of the conference.

**Further on Li's Upcoming Visit to Singapore**  
*OW0203092689 Taipei CNA in English 1451 GMT  
1 Mar 89*

[Text] Taipei, March 1 (CNA)—President Li Teng-hui is scheduled to visit Singapore March 6 at the invitation of Singapore President Wee Kim Wee, the Ministry of Foreign Affairs announced Wednesday.

President Li will be accompanied by Foreign Minister Lien Chan; National Defense Minister Cheng Wei-yuan; Economics Minister Chen Li-an; Taipei Mayor Wu Po-hsiung; Deputy Presidential Secretary General J.Y. Chiu; ROC [Republic of China] Representative to Singapore Chiang Hsiao-wu; Government Information Office Director General Shaw Yu-ming, Hoang Sieou-je, director of Protocol Department of the Foreign Ministry; and C.J. Shih, director of East Asian and Pacific Affairs Department of the Foreign Ministry.

President Li will exchange views with Singapore President Wee and Prime Minister Lee Kuan Yew on matters of mutual interest and will visit local economic organizations during his four-day visit there.

This will be the first time Li has visited Singapore as ROC president.

Singapore Prime Minister Lee Kuan Yew visited here on Feb. 19. During his five-day stay here, he met with President Li, Premier Yu Kuo-hwa and other ranking government officials. He also visited the central part of Taiwan.

**Possible Singapore-Mainland Ties Cause 'Concern'**  
*OW0203181089 Taipei CNA in English 1620 GMT  
2 Mar 89*

[Text] Taipei, March 2 (CNA)—Comments by Singapore First Deputy Prime Minister Goh Chok-tong that the Southeast Asian country might establish diplomatic ties with Communist China are causing concern among diplomatic circles in the Republic of China [ROC].

Goh said in an interview with the Japanese newspaper NIHON KEIZAI SHIMBUN that Singapore will review its relations with Peiping now that Indonesia, its neighbor and fellow association of Southeast Asian Nations (ASEAN) member, has decided to "normalize" relations with Communist China.

Goh, concurrently defense minister, was quoted as saying that there has never been any doubt that Singapore would eventually establish diplomatic relations with Communist China. "It was only a question of when," he added.

The remarks were deemed sensitive because they came less than a week before Republic of China President Li Teng-hui is scheduled to leave for a four-day visit to Singapore.

Singapore does not have diplomatic relations with the ROC on Taiwan but the two countries have long maintained close substantive relations and a cordial friendship.

A ranking Foreign Ministry official, who asked not to be named, told reporters that the ROC Government has instructed its representatives in Singapore to gain a better understanding of the contents of the interview.

The official, who believed the development would not affect President Li's scheduled visit, added that the deputy prime minister's remarks do not necessarily imply that Singapore intends to establish diplomatic ties with Peiping "formally" or "immediately."

In the interview, Goh said he felt there was no need for Singapore to move hastily on the issue since the country's economic and trade relations with Communist China were already close.

**Editorial on 'Lesson' From Pilot's Defection**  
*OW2802213489 Taipei CHUNG KUO SHIH PAO  
in Chinese 15 Feb 89 p 3*

[Editorial: "To Take Precaution After Suffering a Loss Is Not Too Late—Examining the Lesson From the Lin Hsien-shun Incident"]

[Text] After 3 days' initial investigation, the real situation concerning the complicated and confusing incident of Air Force Lieutenant Colonel Lin Hsien-shun [Lin Xianshun] flying his plane to the mainland has become clear, on the whole. First, this is truly a case of defection. Lin Hsien-shun himself said on the mainland: "I did everything of my own free will"; this is sufficient to prove his defection. Second, according to a statement issued by the military spokesman's office of the Ministry of National Defense on 13 February, Lin Hsien-shun is emotionally imbalanced because of marital problems. He has also suffered from chronic sinusitis and headaches and has been grounded several times. Investigations are still under way to determine whether other factors were involved. Though there are all kinds of widely divided hearsay, we do not intend to assume anything, since no reliable sources are available to verify rumors.

As a country boy in the Miaoli area, Lin Hsien-shun passed the entrance examination of the Air Force's preparatory school. After graduation, he was promoted all the way to the rank of lieutenant colonel, a high rank in the Air Force. He was paid well and enjoyed a good living. How could it be possible for him to fly "of his own free will" to the mainland, which is in a state of hostility toward us? When he first defected and fled, nobody could believe it. However, facts, after all, are facts. Lin Hsien-shun's defection has been completely verified. As for the reasons initially understood by the Defense Ministry, on the one hand, Lin had family problems; after he returned from training in Korea, neighbors often heard him squabbling with his wife. Because he is an introvert, he kept his depression to himself. On the other

hand, he had suffered from sinusitis and headaches for some time and never got well despite many medical treatments; therefore, his superior decided to transfer him to the post of deputy director of the Supervision Office without reducing his salary. He was also eligible for the monthly orientation flight. However, it was possible that he was still in low spirits. If these two suppositions are true, Lin is really muddleheaded and foolish to the core. The state maintains an army for a thousand days to use it for an hour. A soldier's sole duty is to hold a weapon of war to defend the country. He will not hesitate even if he has to sacrifice his life. Marital problems are trivial matters. Even if they are unbearable, there are divorce and other means to solve them. How could Lin go so far as to abandon the sacred task entrusted to him by the country and nation and fly his warplane, which was purchased with all his compatriots' sweat and blood, to defect to the enemy? That such an erroneous idea—serving private gain at the expense of public interests—should occur to a soldier is astonishing. In addition, his transfer to another post and his reduction of flying hours due to his sinusitis were not only a necessary measure taken by the Air Force to ensure his flight safety, but also an expression of his superior's loving care and consideration to avoid putting him in jeopardy. Rigid demands are set on pilots' physical strength. If they are never replaced or no demands are set on them, if quite a few of them are sick, how can they fight and defeat the enemy? Yet Lin Hsien-shun was unhappy because of this and absconded. His narrow-mindedness and erroneous thinking had reached an irreversible degree! Perhaps Lin Hsien-shun made this stupid move because he could not control his emotions, and it was a momentary slip. However, this momentary slip has caused huge damage to himself, to our Army, and to the state. Since Lin Hsien-shun arrived on the mainland, he has worn a dignified look and has been slow of speech and even taciturn. This shows he has felt in his inner heart that his behavior was erroneous. However, it is too late for him to repent.

It seems incredible that Lin Hsien-shun defected simply because of the above-mentioned two reasons. However, as far as we can remember, in that year when Wang Hsi-chueh flew a CAL [China Air Lines] cargo plane to the mainland, he seemed to make his decision for reasons similar to Lin Hsien-shun's. By inference, we are afraid there are more people who hold the same erroneous idea as Wang Hsi-chueh and Lin Hsien-shun. In the military, how to maintain the soldiers' correct outlook on life and concept of value, how to understand their family condition and mentality, and how to enlighten them and help them solve their problems should be, we suppose, at least as important as their military training.

Another question is how Lin could fly to the mainland despite the supervision of the many control zones. Based on news reports, there were two possibilities as to how Lin could do this without being stopped. Some reports say that Lin took advantage of a break during a busy flight training period and took off with a stand-by

airplane; although the guards were suspicious of his action, they did not stop him because of his high rank. Other reports say that Lin changed course from the formation during regular flight training, descended to sea level from a high altitude, and flew to the mainland. The two situations were totally different, showing totally different problems in management and the division of responsibilities. Furthermore, since Lin's plane had to go through the radar zones of the control centers under the Air Force in Taitung, Oluanpi, Tahanshan, Kaohsiung, and Penghu, why did these monitoring units not take action to stop him? This is a big question in the minds of the public. Although the truth can be obtained if a little investigation is conducted, the military authorities have yet to come up with a clear answer. We think the Ministry of Defense should reveal immediately the truth of the case and investigate whether it was because of lack of coordination in the radar zones or because of mismanagement. This is not simply an issue concerning Lin's desertion; it also shows big gaps in our air defense. Despite the barrier of the Taiwan Strait, everyone realizes the great importance of air defense under today's situation, in which aviation science and technology are highly developed. Thus by no means should we cover up the gaps in our air defense that have been exposed by Lin's desertion. In order to avoid any similar mistakes and set the people's minds at ease, the authorities must examine honestly the problems and deal with them properly. We must also point out that while our control is defective, the Chinese communists' air defense is just as bad. This is why Lin could penetrate the mainland singlehandedly without being intercepted or guided, causing the total attrition of fuel and the destruction of the plane. Was this due to the lack of alertness because of the relaxation on both sides of the strait, or because of the Spring Festival, during which time people on both sides of the strait were indulging in the pursuit of pleasure? These are also issues that should be studied.

It has been 5 days since Lin Hsien-shun flew to the mainland. So far the Chinese communists have been keeping a low profile. In the past, whenever a plane of our side flew to the mainland, the Chinese communists never failed to use the case to launch an all-out propaganda offensive, using phrases like so-and-so had "crossed over with an airplane." This time, however, the Chinese communists have neither exhibited Lin everywhere like a monkey (Lin has yet to be delivered to Peiping), nor have they greeted the incident with great fanfare in their propaganda media or forced Lin to make statements with political significance. While this could mean that the Chinese communists, because of their inefficiency, have yet to come up with a consensus as to how to handle the case, it may also show the intention of the Chinese communists to use the case to soften our stand to achieve their united front scheme, namely, "peaceful reunification" with Taiwan. Development of this issue in the future will be noteworthy. Meanwhile, because of Lin's desertion, we should also examine thoroughly our mainland policies to see whether they should continue or be revised.

In short, while Lin's desertion is an individual case, we should examine our work as a whole to see what is wrong, learn a lesson, and take remedial measures. It is still not too late to correct our mistakes.

**Government Undecided on Asian Bank Meeting**  
*OW0103015989 Taipei CNA in English 1549 GMT  
 27 Feb 89*

[Text] Taipei, Feb. 27 (CNA)—The Government of the Republic of China [ROC] has not yet decided whether to attend the 1989 annual meeting of the Asian Development Bank [ADB], which is slated for May in Peiping, an ROC Foreign Ministry spokesman said Monday.

No final decision has been reached on participation, "let alone the formation of a delegation to the meeting," Chen Yu-chu, spokesman for the Ministry of Foreign Affairs, told the press.

Chen was responding to reports that the ROC Government has decided to send a civilian delegation to the annual meeting in Peiping.

A ranking Foreign Ministry official who asked not to be named suggested that opinions from various sectors should be weighed before a final decision is made.

The ROC Government is reported to be hesitating about attending the ADB meeting lest the host Chinese Communist regime, also chairman of the international gathering, should arrange an agenda unfavorable to the ROC.

The official also categorically ruled out the possibility that the ROC would intentionally lower the status of its participation in the meeting to that of an "observer" by sending a mission composed of business leaders. "As a full ADB member," the official said, "the ROC should under no circumstances attend the meeting as an observer."

The official claimed that as the Government's premier concern is upholding the nation's interests and sovereignty, the other problems are trivial.

Since no deadline has been set for a final decision, the official urged the local mass media not to expect a final decision to be made before the end of March or April.

**Government Not To Interfere With Indirect Trade**  
*OW0103025989 Taipei CNA in English 1533 GMT  
 27 Feb 89*

[Text] Taipei, Feb. 27 (CNA)—Economics Minister Chen Li-an said Monday the Government should not interfere in trade and investment activities between Taiwan and mainland China if they are handled through third countries.

Chen said Taiwan's businessmen need not take instructions from the Government because they know much better than the latter the economic situation across the Straits.

He said he believes Taiwan entrepreneurs are well aware of the major flaws in the mainland's infrastructure and its legal system. They need not be told of the risks involved in investing there, he added.

He pointed out that it is very difficult to define direct or indirect trade between the two parts of China. Therefore, he said, it is difficult to use laws to govern this highly political issue.

He said the Government should just worry about preventing sensitive technologies from being leaked to the mainland as economic exchanges increase.

Trade between Taiwan and mainland China, mostly indirectly, reached U.S. \$2.5 billion last year. The figure is expected to rise considerably this year.

Many industrialists and economists here have urged the Government to permit direct trade, but Chen was apparently not in a position to respond to the question.

The Government currently bans direct trade or investment with the mainland.

**Former U.S., Republican Party Officials Visit**  
*OW2802055489 Taipei CNA in English 0236 GMT  
 28 Feb 89*

[Text] Taipei, Feb. 28 (CNA)—A seven-member American delegation of former government and Republican Party officials called on Li Huan, secretary-general of the Republic of China's [ROC's] ruling Kuomintang [KMT], at the KMT headquarters Monday.

During the meeting, also attended by several top ranking KMT officials, Li pointed out that the KMT and the Republican Party have long maintained cordial relations, just as the ROC and America, and he hoped that relations between the two parties and the two countries will be further strengthened.

Raymond Tai, director of the Cultural Affairs Department of the KMT Central Committee, briefed the American visitors on the ROC's recent political reforms which, he said, have taken the nation's democratic development a giant step forward.

He stressed that the ruling party hopes to implement the reform programs step by step because it does not want to risk the nation's stability and prosperity.

Frank J. Fahrenkopf, former chairman of the Republican National Committee and head of the delegation, told Li that he had been impressed by the ROC's vigorous economic, social development and rapid progress. He added that the KMT's efforts in promoting reform should be affirmed.

The former Republican official also said that he will do his best to strengthen substantive relations between the ROC and the U.S. and to enhance cooperation between the KMT and the Republican Party.

Fahrenkopf, in his capacity as chairman of the International Democratic Union (IDU), an organization of Western conservative parties, also invited the KMT to attend as observer at the Pacific Democratic Union's 1989 annual meeting scheduled for Sept. 21 in Tokyo. The Pacific Democratic Union is a regional organization under the IDU.

The delegation, which arrived in Taipei Sunday, will visit Premier Yu Kuo-hwa, Foreign Minister Lien Chan and other top ROC officials before departing on March 4.

**Government Studying U.S. Debt Repayment Request**  
*OW0203090989 Taipei CNA in English 1620 GMT  
1 Mar 89*

[Text] Taipei, March 1 (CNA)—The Government of the Republic of China has yet decided how to handle the U.S. request for repayment of its World War Two foreign debt as the debt was incurred a long time ago, an official of the National Treasury Department of the Finance Ministry said Wednesday.

The official pointed out that it is difficult for the Finance Ministry to trace the foreign debt incurred during World War Two on the Chinese Mainland.

The official, who asked not to be named, also stressed that if the issue is purely a foreign debt issue, it will be easy to resolve. However, if it becomes a political issue, it will be very difficult to resolve because of questions of sovereignty.

The official, however, admitted that the nation incurred many foreign debts on the Chinese Mainland but that because the central government moved to Taiwan in hurry, many documents and data were lost. This will cause difficulties for the government in verifying the U.S. request.

**U.S. Urged To Clarify Policy**  
*OW0303132689 Taipei CNA in English 0306 GMT  
3 Mar 89*

[Text] Taipei, March 3 (CNA)—A ruling party lawmaker on Thursday urged the Government not to talk with the United States over the repayment of debts incurred during World War II if it does not clarify which "Chinese Government" is obligated to do so.

Even if Washington, D.C. recognizes the Republic of China [ROC] as the obligated party, the Government should carefully study if its obligation has been canceled because of the long time involved, Legislator Liu Hsing-shan said.

In a written interpellation, Liu said the U.S. move to demand the ROC repay debts incurred 50 years ago was tantamount to recognizing the ROC as the party obliged to settle the issue.

This would imply that the Republic of China stands for China, he noted.

If so, he said, the Government should squarely face reality and think of how to respond.

He called on the Government to note the two questions:

—If the U.S. made a similar demand on the Communist Chinese regime, this would mean an ambiguity in U.S. attitudes towards China. The ROC should not discuss the matter at all before the U.S. makes clear which "China" is the debtor country.

—If the U.S. recognizes the ROC as the debtor country, the Government should make an in-depth study of whether it has been freed from its responsibility since U.S. claims have long been dormant.

The lawmaker stressed that if the U.S. tries to evade the two-China question and just focuses on its interests, then the Government should never consider concessions.

The Government should try to win a certain recognition from the U.S. as a bargaining chip in negotiating with the U.S. over the debt issue, said Liu.

Meanwhile, Vice Finance Minister Ho Hsien-chung said the U.S. has repeatedly probed government attitudes, via unofficial channels, toward the old debts.

Ho said the Government is studying the debts incurred by the Chinese Government during the Second World War, but since such a long time has elapsed it is difficult to ascertain the exact facts about the debts.

He emphasized that the American Institute in Taiwan, the unofficial representative of the U.S. here, has not yet raised the issue with the Government.

He declined to comment on whether the U.S. move to seek repayment of the debts would imply political recognition of the two Chinas.

**Official Notes Efforts To Boost East Europe Trade**  
*OW0103004589 Taipei CNA in English 1600 GMT  
27 Feb 89*

[Text] Taipei, Feb. 27 (CNA)—Economic authorities plan to hold trade fairs here for Eastern European

businessmen and to set up trade offices in socialist countries to boost economic ties with them, a ranking government official said Monday.

However, these steps, which will very probably result in a breakthrough in relations between Eastern Europe and this country, have yet to be approved by the "top authority," the official who asked not to be identified said.

He said that since the Republic of China [ROC] has permitted direct trade with seven East European countries, there should not be any taboo in regard to developing economic ties with them.

He admitted, however, that opinions are divided among top decisionmakers in regard to some of the radical "suggestions contained in the Government's plan to boost trade with Eastern Europe.

According to the official, the 1989 "action program," aimed at diversifying this country's foreign markets, calls for increasing channels for contacts between the ROC and East European countries.

The program, which coordinates the trade-expansion activities of different sectors of society, also calls for beefing up information gathering and market surveys of Eastern Europe, he noted.

The government plan anticipates that the ROC business community will participate in autumn trade fairs in Zagreb, Yugoslavia and Budapest, Hungary, said the official.

He added that plans are also progressing to participate in an international trade fair in Poznan, Poland and a machinery show in East Germany this year.

The Government has also scheduled a business week in Taipei, to which businessmen from Hungary, Yugoslavia, Bulgaria, and other East European countries will be invited.

The invites will attend trade exhibitions, seminars and have face-to-face contacts with their local counterparts, he said.

Plans have also been mapped out to invite influential figures from East Bloc countries to visit here in an attempt to strengthen communications and substantive ties between the two sides, he said.

The semi-official China External Trade Development Council (CETRA), he said, will ask local industrial associations to organize trade missions to visit the Soviet Union and Eastern Europe.

These missions will gather information on the consumer goods markets in these countries for the use of the ROC business community, he said.

The Government even plans to use the "Overseas Economic Cooperation and Development Fund" to help the countries build public facilities and otherwise develop their economies, he disclosed.

Another point in the plan is to more aggressively establish trade offices in the countries, and to urge local business associations to establish fraternity relations with their East European counterparts, according to the official.

Observers here said if the plan is realized, the action program would be epoch-making in solidifying this country's economic ties with the Eastern Bloc.

**Efforts To Cement Ties With Europe To Accelerate**  
*OW2702042589 Taipei CNA in English 0313 GMT*  
*27 Feb 89*

[Text] Taipei Feb. 27 (CNA)—The Republic of China [ROC] will accelerate its efforts to strengthen trade and other relations with Europe in the hope of consolidating its footing in that region by 1992 when European countries integrate into a single market, government officials said last Saturday.

The Board of Foreign Trade [BOFT] of the Economics Ministry, in a meeting Saturday, consulted with other government agencies on details of a new action plan to promote trade with Europe.

The plan calls for concerted efforts from the government and the private sector to "create a new era for ROC-Europe trade," BOFT sources said.

BOFT Director-General P.K. Chiang told reporters after the meeting that the government has attached great importance to trade relations with Europe as the nation strives to diversify its export markets. In this regard, he said, the European market is even more important than the Japanese market.

The formation of a single European market will have profound effects on world economy, Chiang stressed. To cope with the new situation, the government has been actively collecting information about the single European act in order to help local companies gain access to the market.

In seeking to improve relations with Europe, the ROC will not only make greater efforts to promote exports to that region but will also open the local market to European products so as to stimulate bilateral trade, Chiang said.

Furthermore, he pointed out, the government will also encourage local manufacturers to invest in Europe and establish plants there.

To perfect the plan, Chiang will visit Europe in March for consultations with ROC trade representatives in European nations.

## Hong Kong

### Further on Visit by PRC Vice Foreign Minister

#### Consensus on Vietnamese Refugees

HK0203031189 Hong Kong SOUTH CHINA MORNING POST in English 2 Mar 89 p 2

[By Chris Yeung]

[Text] Britain and China yesterday reached a broad consensus on the Vietnamese refugee problem during a lengthy round of talks between the Governor, Sir David Wilson, and visiting Chinese Vice-Foreign Minister Zhou Nan.

Mr Zhou, describing the 3 1/2-hour discussion as "fruitful and friendly," said he planned to hold another "informal exchange of views" with Sir David before he left for home on Sunday.

He was speaking to reporters during a tour of the container terminal operated by Modern Terminal Limited in Kwai Chung after attending a lunch hosted by Chief Secretary Sir David Ford.

Mr Zhou who is on his first official visit to the territory was accompanied by Hong Kong-based Chinese officials including Mr Ke Zaishuo and Mr Qiao Zonghuai during his talks with the Governor.

Mr Ke heads China's team of the Sino-British Joint Liaison Group while Mr Qiao is a vice-director of the NEW CHINA NEWS AGENCY.

Local government officials who attended the meeting were Chief Secretary Sir David, Secretary for General Duties Barrie Wiggin, Political Adviser Richard Clift and Secretary for Constitutional Affairs Michael Suen Ming-yeung.

After meeting the Governor Mr Zhou said: "We've talked about the implementation of the Joint Declaration and some other immediate problems (facing the territory).

"We touched upon the Vietnamese refugee problem.

"We've reached a broad consensus over many issues (concerning the refugee problem).

Asked if Sir David had spelled out what measures should be taken to solve the refugee problem before 1997, Mr Zhou would only say the question was "too specific."

Yesterday's meeting was held amid growing pressure from Beijing for an early solution to the Vietnamese refugee problem.

Sources said China was standing firm on its position that the refugee problem should be solved before the territory reverted to Chinese sovereignty.

But Britain would only say it would be "disappointed" if the problem was not solved by 1997.

#### Speech at Banquet Summarized

HK0303085789 Beijing XINHUA Hong Kong Service in Chinese 1548 GMT 2 Mar 89

[ "Speech by Vice Foreign Minister Zhou Nan at Welcoming Banquet Given by Hong Kong Governor David Wilson" —XINHUA headline]

[Text] Hong Kong, 2 Mar [XINHUA]—Hong Kong Governor David Wilson and Lady Wilson feted the PRC Deputy Foreign Minister and Mrs Zhou Nan.

The following is a summary of Zhou Nan's speech at the banquet:

Zhou Nan said that both sides obtained a large degree of consensus on many problems during his meeting with Governor Wilson, which will undoubtedly be greatly beneficial to the close cooperation between the PRC and the United Kingdom and the successful and thorough implementation of the Joint Declaration in the next stage.

Zhou Nan said that in the 4 years since the signing of the Sino-British Joint Declaration, Hong Kong has been politically stable and has maintained a prosperous economic development trend. Hong Kong's connections and cooperation with the mainland in many aspects are developing daily. The draft Basic Law, which is a specific manifestation of the general guiding policy of "one country, two systems," has been published and necessary amendments will be made after conducting further extensive consultations so that the draft will be perfected.

At present, the general trend in Hong Kong is very encouraging, said Zhou Nan. To quote an old saying, we can describe the present situation as "the banks are wide when the tide goes down; there hangs a sail as the wind calms down." Practice in these 4 years has proved that the idea of "one country, two systems" is completely possible and has great vitality. It has been demonstrated that because we can solve the future problem of Hong Kong and Macao using the idea of "one country, two systems," we can also use this basic idea to solve the Taiwan problem and realize the unity of the motherland.

He said that in these 4 years both the PRC and the United Kingdom have actively contributed to the thorough implementation of the Joint Declaration through friendly cooperation and with the vigorous support of all sectors of Hong Kong people. Practice in these 4 years has also proved that if the Chinese and British sides can cooperate in a friendly way, treat each other with sincerity, and hold serious consultations, they can overcome all sorts of difficulties and guarantee that the Joint

Declaration will be comprehensively and thoroughly implemented; the stability and prosperity of Hong Kong will be continuously consolidated and developed; and the idea of "one country, two systems" will be thoroughly carried out.

In his speech, Zhou Nan commended Sir David Wilson as a distinguished diplomat. He said that Sir David has made commendable contributions to the satisfactory settlement of the Hong Kong problem and the arrangements during the transitional period. During his term of office as governor of Hong Kong, Sir David has continued to do a great amount of valuable work for the thorough implementation of the Sino-British Joint Declaration. He invited Sir David and Lady Wilson to visit Beijing and other places in China again at their convenience, to continue their friendly consultations and contacts.

**Chief Secretary Cited on Talks**

HK0303063189 Hong Kong HONGKONG STANDARD  
in English 3 Mar 89 p 2

[By Ma Miu-wah]

[Text] China and Hong Kong both see the need to develop the local infrastructure, the Chief Secretary, Sir David Ford, said yesterday.

The statement came following his meeting with the Chinese Vice foreign Minister, Mr Zhou Nan.

Sir David had been briefing Mr Zhou on infrastructural developments, including the port and airport, on the second day of the latter's visit to the territory.

"It was a very encouraging meeting on all sides," Sir David told the press after the briefing.

"There was very good agreement about the need to develop Hong Kong's infrastructure for future prosperity and stability," he added.

The meeting was held at the Central Government Offices.

Also at the meeting were the political advisor, Mr Dick Clift, Secretary for Economic Services, Mrs Anson Chan, Secretary for Transport, Mr Michael Leung Man-kin, the Government Town Planner, Dr Edward Pryor, and the Acting Secretary for Lands and Works, Mr Charles Saunders.

Chinese officials included Mr Ji Shaochang, head of the Foreign Affairs Department of the local branch of the XINHUA NEWS AGENCY, and Mr Wang Jiaji, a member of the Chinese side of the Joint Liaison Group (JLG).

Mr Zhou later went on a helicopter tour of the territory.

The vice foreign minister said yesterday morning that he was "deeply interested in and impressed by" new town development in Hong Kong.

The remark came as he toured the Sha Tin New Town Plaza and Heng On Estate in Ma On Shan.

Afterwards, he visited a "computer-aided" factory in the Tai Po Industrial Estate.

Last night, he attended a dinner hosted by the Governor, Sir David Wilson, at Government House.

Two days ago, Mr Zhou said he would make use of informal occasions to continue his talks with the Governor on a wide range of issues.

Mr Zhou also revealed that both sides had reached a consensus two days ago regarding a solution to the Vietnamese refugee issue.

However, he refused to disclose details and extent of the agreements.

He also refused to comment on the forced repatriation policy.

The Chinese diplomat will be the guest of the local XINHUA NEWS AGENCY today.

He will tour Ocean Park this morning, lunch with XINHUA Director, Mr Xu Jiatusheng, and attend a cocktail reception in the afternoon when he will meet community leaders.

**Visit Said 'Welcome,' Overdue**

HK0303063389 Hong Kong SOUTH CHINA MORNING POST in English 3 Mar 89 p 29

[Viewpoint" column by Frank Ching: "1997: Mainland Ignorance Is Not Bliss"]

[Text] Vice-Foreign Minister Zhou Nan's visit to Hong Kong this week is both welcome and long overdue. It is essential that Chinese officials, such as Mr Zhou, should have a more profound understanding of Hong Kong and how it works.

Mr Zhou said upon arrival that this is his first visit to Hong Kong in more than two decades. It is unfortunate indeed that Chinese officials who play a crucial role in formulating policy should have so little first hand knowledge of Hong Kong.

After all, Mr Zhou was leader of the Chinese delegation in the Sino-British negotiations. Now, he is a member of the Basic Law Drafting Committee and perhaps the highest-ranking Foreign Ministry official responsible for Hong Kong affairs.

China's paramount leader, Deng Xiaoping, has made it an issue of principle not to learn about Hong Kong at first hand. He has said that he will not visit Hong Kong before the withdrawal of the British in 1997.

None of the other top leaders in Beijing have any first hand knowledge of Hong Kong.

Vice-Minister Zhou is clearly considered an expert on Hong Kong by the Chinese Government. It is therefore extremely important that he meet a wide range of people in Hong Kong.

Upon arrival, Mr Zhou said: "I hope my current visit will further enhance the mutual understanding between the Chinese and British sides so as to further strengthen our close cooperation in the full implementation of the Joint Declaration."

That kind of statement is understandable, since this is an official visit. But it is insufficient for Mr Zhou and other Chinese Government officials to "enhance understanding" of the British position. It is far more important for Mr Zhou and his colleagues to gain a deeper understanding of the way ordinary people in Hong Kong think and feel.

When asked to comment on the propriety of the inquiry being conducted by the Foreign Affairs Committee of the House of Commons into the way in which the Joint Declaration is being implemented, Mr Zhou replied that opinions expressed through "appropriate channels" were welcome.

This creates the impression that Mr Zhou and other Chinese officials do not want issues to be publicly aired, but rather discussed behind closed doors. The vice-minister ought to know that Hong Kong people are most resentful of secret discussions to decide their fate, discussions in which they can play no part.

Ignorance of Hong Kong is clearly deep-seated in Beijing. It may even be as deep-seated as Hong Kong people's fears and suspicions of the Chinese communists.

This ignorance was recently reflected in a statement by Mr Xu Jiatun, the director of the NEW CHINA NEWS AGENCY, to the effect that some members of the Standing Committee of the National People's Congress feel that the terms of the draft Basic Law were "too lenient" towards Hong Kong.

This is not the first time Chinese officials have used the word "lenient" in reference to Hong Kong. It reveals a mental framework in which the people here are considered criminals, who are to be accorded "harsh" or "lenient" treatment.

Of course, in the eyes of orthodox communists, Hong Kong is a nest of criminals, who ought to be wiped out. The Chinese Constitution says that "class struggle will continue" and the Chinese people must fight against

"those forces and elements, both at home and abroad, that are hostile to China's socialist system". Hong Kong is the very antithesis of the socialist system.

It is no wonder, then, that members of the standing committee of the National People's Congress, which under the Chinese Constitution is the highest organ of state power, should view Hong Kong people as enemies to be abolished.

The socialist system and the capitalist system are incompatible, and the Chinese Constitution recognises this.

It is, therefore, incongruous for the socialist political system, embodied in dyed-in-the-wool communists in the National People's Congress, to be given such task as interpreting Hong Kong's Basic Law and determining whether a referendum should be held on universal suffrage in Hong Kong.

Mr Xu himself has matured in his job, and has become something of an advocate of Hong Kong within the mainland. He has, after all, been here for many years. Will his successor need another five or six years of growing into the job? Who will present Hong Kong's views to Beijing in the interim?

Recent events illustrate the way in which Hong Kong is likely to become more and more embroiled in domestic Chinese affairs in the years to come, and the dangers of such involvement.

It is noteworthy that, after Fang Lizhi was prevented from attending President George Bush's banquet by the ubiquitous uniformed and plain clothes policemen, the political dissident should conclude that, if the Chinese authorities cannot even tolerate a lone scientist at a dinner for 400 people, how can they be expected to tolerate two systems in one country.

That is a good question. Of course, it may be argued that the one country, two systems formula is meant to isolate Hong Kong from such incidents, and that China, while intolerant of political dissent in the mainland, will be tolerant of political dissent in Hong Kong.

Such an argument is reassuring only if China were to grant true autonomy to Hong Kong, so that people here do not have to worry about the wrath of mainland officials.

As it is, the draft Basic Law clearly indicates China's intention not to give up control of Hong Kong. That being the case, it is difficult to convince Hong Kong people that they and their compatriots on the mainland are not in the same boat.

Rather, people in Hong Kong are more likely to conclude that China was engaging in the age-old practice of "killing one to warn a multitude", that is, making an example of someone on the mainland so as to discourage dissidents in Hong Kong.

Recently, intellectuals in Hong Kong have joined those in mainland China and abroad by asking for an amnesty so that Wei Jingsheng, another Chinese dissident who is serving a 15-year prison term, can be released.

China's Ministry of Justice has already condemned the move as unconstitutional and branded it as an attempt to pervert the course of justice.

Will those guilty of such a serious crime be called to account after 1997? How can they be sure?

The efficiency with which the Chinese police thwarted the attempt by Fang Lizhi to attend the banquet at the Great Wall Hotel—by private car, by taxi, by bus and on foot—contrasts starkly with the inability of the Chinese authorities to take action to forestall people from flooding into Guangzhou from other provinces.

The beckoning lights of Guangzhou are nothing compared to the attractions of Hong Kong, and it is difficult to see how a future Hong Kong administration can possibly withstand a similar human tidal wave, whose appearance at Hong Kong's doorstep in only a matter of time.

A senior Chinese official has already expressed unhappiness at the way the Hong Kong Government treats illegal immigrants from the mainland. Li Hou is reported to have said that the tying up of the illegal immigrants is an affront to China's dignity.

That being the case, a future Hong Kong government may well be fearful of taking any action that might be interpreted as an insult to the Chinese people.

Besides, if the resources of both the central government and the Guangdong provincial government are insufficient to stem the tide into Guangzhou, it is difficult to imagine how tiny Hong Kong will be able to manage.

The only way Hong Kong can exist as an SAR [Special Administrative Region] is to isolate it politically from the mainland. Perhaps Vice-Minister Zhou can suggest how this can best be done.

**U.S. Human Rights Report on Refugees Previewed**  
*HK0303070789 Hong Kong SOUTH CHINA MORNING POST in English 3 Mar 89 p 7*

[By Michael Chugani in Washington]

[Text] A human rights report scheduled for release today accuses Hong Kong, Thailand, and Malaysia of competing against each other to wash their hands of the refugee burden.

"Government hostility towards Southeast Asian asylum-seekers escalated dramatically in 1988, as the governments of Thailand, Hong Kong and Malaysia have

engaged in a grim competition to shift the burden elsewhere," says the report, published by the influential Lawyers Committee for Human Rights.

The report also claims that Thailand and other governments in the region are willing to grant first asylum only if Western countries agree to permanently resettle the refugees.

Mainly concerned with human rights violations of Laotian asylum-seekers in Thailand, the report foreshadows what is expected to be a similar harsh-toned study on Hong Kong, due out later this month.

An official of the committee, Mr Arthur Helton, who co-authored the report on Laotian asylum-seekers, is now in Hong Kong gathering information on the territory's refugee policies.

The Laotian report, entitled "Forced and Forgotten," claims the Thai screening of Laotian asylum-seekers has failed, and warns against a similar region-wide screening policy being adopted when the United Nations holds its international conference on Indochinese refugees in June.

The Thai screening program is described as fundamentally unfair, and its policy of pushing Laotians back across the border "a serious violation of human rights".

The report states: "Confinement and enforcement of austere and inhumane living conditions as a means of discouraging others fleeing persecution violates the basic human right to be free from arbitrary prolonged detention."

It also calls on the United Nations High Commissioner for Refugees and international relief agencies not to "coerce camp residents into voluntary repatriation with misleading information".

Meanwhile, in a separate development, it now appears Indochinese asylum-seekers, stranded for many years in Hong Kong and refugee camps elsewhere in the region, could qualify for resettlement under a new immigration category of 30,000 places yearly being created primarily for Soviet emigres.

There is reported to be some disagreement between the State Department and Justice Department over whether asylum-seekers from Southeast Asia and Latin America should also be eligible for some of the new slots.

The Justice Department wants the President to have flexibility in deciding which region should benefit from them year to year.

The administration is about to present the proposed new category to Congress for consideration.

**U.S. State Department Report on Drug Role Noted**  
*HK0303052789 Hong Kong SOUTH CHINA MORNING POST in English 3 Mar 89 p 16*

[From Michael Chugani in Washington]

[Text] Hong Kong has once again been accused in an American State Department report of being the top centre for financing the Far East narcotics trade and for laundering drug profits.

The report, which covers the global drug situation, describes the territory as an important transit centre for Golden Triangle heroin destined for Australia, Canada, the United States and Europe.

It states that Hong Kong police believe half of last year's record number of heroin seizures come overland through China.

It said Hong Kong is now considering a United States proposal for a Mutual Legal Assistance Agreement to jointly crack down on drug traffickers.

China is described in the report as being increasingly worried about signs of a comeback by triads in the southern part of the country near Hong Kong.

The report adds: "U.S. officials are increasingly concerned about the trans-shipment of Golden Triangle heroin through southern China to Hong Kong and traffic in precursor chemicals into the Triangle."

It states that the comeback of triad influence and the trans-shipment of drugs through China is ironically a result of the country's new "openness policy".

Titled "International Narcotics Control Strategy Report," the document said 1988 saw no reduction in worldwide supplies of opium and heroin.

"In every opium-producing nation except Thailand, opium production appears to have remained at 1987 levels or increased," the report states.

It said increased heroin supplies have "alarmed U.S. drug experts who believe that the United States may be poised on the brink of another heroin epidemic".

The report noted that political turmoil in Burma has enabled traffickers to capitalise on diminished enforcement efforts, smuggling large quantities of heroin and opium with little interference.

"The prospect for 1989 is grim," it states.

At a press conference to release the report, the head of the State Department's Bureau of International Narcotics Matters, Ms Ann Wroblewski, said 90 per cent of the world's opium crop is cultivated in areas where the U.S. has little chance of influencing the governments.

The report is part of a U.S. legal process which empowers the President to withhold foreign military and economic aid by 50 per cent, and to impose certain trade sanctions against countries considered not to be co-operating with the U.S. to eradicate the production and trans-shipment of drugs as well as the laundering of drug money.

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